The NATIONAL UNDERWRITER

REINSURANCE REVIEW

THURSDAY, DECEMBER 29, 1955

THE NATIONAL UNDERWRITER. Published weekly by the National Underwriter Company, Office of Publication, 175 W. Jackson Blvd., Chicago, Ill., U. S. A. 59th year, No. 52, Thursday, December 29, 1955. $7 per year (3 years, $18); Canada, $8 per year (3 years, $21); **Foreign,** $8.50 per year (3 years, $22.50). 30 cents per copy. Entered as second-class matter April 25, 1931 at the post office at Chicago, Ill., under Act of March 31, 1879.

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December 29, 1955
59th Year, No. 52

The National Weekly Newspaper of Fire and Casualty Insurance

Fire Reinsurers Begin to Scratch; Casualty Claims Rise

Catastrophe Covers and Contract Bonds Are Big Topics of Interest

By KENNETH O. FORCE

The 1955 reinsurance premiums on U. S. business will show a modest increase over 1954. Fire business is down a few points, perhaps five, but casualty premiums show some increase. Underwriting returns on fire reinsurance has been satisfactory for the year, though not as good as in recent years. The underwriting gain on casualty is good, better than on fire but not as good as 1954.

Third party liability claim costs at the reinsurance level, which have been tending slightly downward for two or three years, now have reversed and are beginning to move up again. Compensation is reported to be about the same for reinsurers, in premiums and loss ratio, and other lines show no marked changes from a year ago with the exception of contract bonds, where reinsurers, sans profits for three years, expect poorer results in 1956 because of the 20% rate reduction. Automobile has been responsible for much of the casualty premium increase.

With the exception of inland marine and automobile excess of loss covers, which were hit hard by the floods in the east in August and October, losses on fire and attendant lines have not been particularly bad. For the reinsurer, as for the insurer, the pressure in this field is on premiums. The long time trend of declining fire rates continues, insurer commissions have increased, competitive forces continue to build up. Reinsurers, which lost money during most of the 1940s, have made money so far in the 1950s, but they do not expect to make much in 1956, and they believe the trend will continue.

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However, the big topic in the fire reinsurance field continues to be catastrophe covers for the wind peril, which have been given such a drubbing by hurricanes and big winds in the years beginning with 1950.

Another development in the primary insuring field that interests reinsurers is the effort of more stock insurers to get rates down to a level competitive with mutual and direct writers. More stock insurers are planning to launch economy auto plans, of which there presently are a dozen or more. However, a new move is under way. Several of these insurers are going to bring out economy fire insurance plans on dwelling classes at 20% off the tariff rate and 15% commission to the agent.

Commercial block is somewhat more of a curiosity to reinsurers than it is a problem, though the reinsurer is uncomfortable when viewing the future

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Central Standard Taken Over

Receivership Asked for Royal American

Insurance Superintendent Gwaltney of Alabama has filed a petition in the court at Montgomery for receivership of Royal American of Huntsville, Ala. This is the company that at one time was closely affiliated with Trans-Pacific of Phoenix, and its administrative offices were in the Arizona capital. Apparently it has no policyholders or stockholders in Alabama, but its corporate office was Huntsville, and it started in Alabama in October, 1954, with $100,000 capital and $600,000 surplus.

Royal American ended 1954 with assets of $1,522,320. Its 1954 net business consisted almost entirely of the difference between reinsurance assumed of $2,867,000 and reinsurance ceded of $2,281,300.

Commissioner George Burt of South Dakota has been appointed receiver of Central Standard of Sioux Falls, which is said to be insolvent by nearly $1 million. The order was made by circuit Judge R. D. Burns at Sioux Falls following a lengthy court hearing Dec. 22.

Central Standard was restrained from doing any further business as of Dec. 15, and three days before that a suit was filed in circuit court against the newly elected officers of the company and United Dye & Chemical Corp. of New York and William Penn Fire. The minority stockholders charged that since December of 1953 the defendants had obtained possession of stock representing a majority of shares by unlawful and fraudulent application of assets of the company. It was also claimed that the defendants unlawfully withdrew substantial sums of money from the assets and converted it to their own use, and that the defendants purported to convene at a special directors meeting at New York Dec. 7, 1955, at which time Mark Goode was elected president and Louis Nagy secretary-treasurer. R. A. Williams, Virgil E. Vail and Wallace D. Beer were ousted as officers. The suit says there is no authority to hold meetings outside of South Dakota.

Mark Goode is president of Royal American and is a former president of Trans-Pacific.

Vincent Dardi, chairman of United Dye & Chemical, told THE NATIONAL UNDERWRITER last week that the United Dye ownership interest in Central Standard was sold as of Dec. 7 to William Penn Fire. It will be recalled that recently the chairman of the finance committee of United Dye was Lowell Birrell, a long-time associate of Stewart Hopps, and that Mr. Hopps' name has been repeatedly mentioned in connection with Trans-Pacific of Phoenix and Inland Empire of Boise, both bankrupt, and both of which earlier this year were to have participated in a three-way merger involving Central Standard.

With Royal American also in liquidation, the only U. S. company which has been participating in the multitudinous reinsurance transactions of Louisville F. & M., Inland Empire, Trans-Pacific, Central Standard and Royal American is the William Penn Fire of Philadelphia, the new owner of Central Standard. The president of William Penn Fire is Lowell M. Birrell. Since the collapse of Louisville F.&M. at the end of 1954, there has been a rapid mortality rate of companies in this reinsurance group. Inland Empire took over the defunct Louisville F.&M. and subsequently was purchased by Trans-Pacific. Trans-Pacific went broke and so did Inland Empire. Central Standard, which was doing a reinsurance business with these companies, then hit the skids, as did Royal American, the reinsurer of Inland Empire.

American Equity Group Elects Lamble President

Ameican Title & Ins. Co. and Equity General have elected John W. Lamble president and a director. These are two of the insurers in the Joseph Weintraub group of Miami. Mr. Lamble recently resigned as president of North Star Re of the General Re group, a post he had occupied since 1950. Mr. Weintraub's American Equity group includes also South Atlantic Title, Baloise Fire, and Swiss National, the latter two for U. S. business. Mr. Lamble will be the chief executive officer of the Weintraub insurance operations.

Mr. Lamble started in insurance with L.&L.&G in 1923, joined Fidelity & Guaranty Fire in 1929, becoming comptroller, went with Car & General as U. S. branch secretary in 1942, and became vice-president of North Star in 1946.

Losses in Cal. Storms to Exceed $5 Million

SAN FRANCISCO—Storms in California will cost companies in excess of $5 million, according to early estimates here.

The San Francisco bay area alone, in five days, produced more than 25,000 claims averaging more than $100, according to General Adjustment Bureau. All independent adjusters are swamped with claims and from a cursory survey, brokers in the San Francisco and Sacramento areas received more than 5,000 claims in two days. It has been reported here that this storm has already developed aggregate properly losses of more than $75 million.

California Assn. of Independent Insurance Adjusters, as well as GAB, have set up catastrophe offices with extra help, including retired, experienced personnel. It has been estimated by state and private authorities that total losses as a result of the disaster will exceed $100 million, including the extended premiums, premium waivers and death claims of life companies.

National Board has assigned catastrophe number 68 to the windstorm and floods.

Commercial Block Status Aired at N. Y. Hearing

Department to Study Ideas on Regulation, Reporting in Light of Filings

NEW YORK—The hearing on commercial block policies conducted by the insurance department here attracted an impressive crowd, and the discussion of the subject threw a good deal of light on the status of the coverage and the attitude of important segments of the business toward it and how it should be regulated and reported.

What the New York department does with the block form will have its influence, and Superintendent Holz and Deputy Superintendent Wikler gave indications that they were studying the ideas of representatives of the business in the light of the filings made with the department and would take action soon. They were flanked at the hearing by Deputy Milton Shalleck, and Joseph Collins, Harold Sohmer and Jack Malmuth of the department.

Joseph F. Murphy, counsel of America Fore, said that his group has no comment to make presently on the filings of such forms with the New York department because it does not know what these filings are.

America Fore is, however, concerned with the import of such policies, their use in other areas, and the abuses to which they have been subjected. There does exist the danger of destroying the value of figures on individual lines.

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Thus, America Fore does not know if such policies are in the public interest. It does not believe that the IM definition should be expanded. As to classification as multiple line, he noted that the mere combination of existing forms into one does not make a new class. When recording or reporting backstage policy figures, figures should not be diluted, he said.

Charles F. Littlepage, vice-president of North America, said he wanted to correct Mr. Barry on one point, North America is not paying a 30% commission on homeowners.

He thinks commercial block policies are in the public interest. He said North America is selling the homeowners in more than 20 states and the reception has been excellent. If insured doesn't want it, all questions, of course, become academic. It is unnecessary to expand the IM definition, he noted. To date there are nine states which have classified block or package coverages as IM, eight states have classified them as multiple line, two states have classified some of the seven dealers forms as IM and some of them as multiple peril, and one state gave up, it called this type of policy "miscellaneous."

Mr. Littlepage said he could under-

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931 at

Texas Department Puts Microscope on Five Insurers

The collapse of a combination insurance and banking organization, U.S. Trust & Guaranty of Waco, has brought the insurance business back into notoriety in Texas. Even though the insurance aspect of U.S. Trust & Guaranty's business was minor, the matter is being treated by the newspapers generally as an insurance scandal and as a continuation of the failures of Texas insurers which have been so much publicized since 1953.

All assets of U.S. Trust & Guaranty have been impounded and all of its insurance policies cancelled under an order issued Dec. 22 by District Judge C. O. Betts of Austin, and two affiliated insurers, Arkansas F.&M. of Little Rock and U.S. Automotive Service of Waco, also are involved in the court proceedings. Judge Betts described disclosures involving U.S. Trust & Guaranty as "the most amazing and fraudulent operation it has ever been my misforutne to look at or hear about." Liquid assets of the company have been set at $800,000 and demand of liabilities at $5,800,000.

A. B. Shoemaker is head of the U.S. Trust group. There will be a hearing in Austin Jan. 5 on two other Shoemaker companies, U.S. Life and Southern Medical & Hospital Services of Waco. Texas board of commissioners says there is a basis for revoking the licenses of these companies.

At the same time, the board acting under the law which authorizes it to inquire as to the fitness and reputation of company management, named two members of American Atlas group of Dallas, headed by Joe A. Irwin, in another show-cause order Jan. 5. These are Dallas Fire & Casualty and American Atlas Life. The board noted that all policies of Dallas F.&C. were reinsured earlier this year by ICT of Dallas. Two other companies in the American Atlas group have already been put into receivership—Home Service Casualty and All American Home Lloyds. American Atlas Life was the purchaser earlier this year of La Salle Casualty of Chicago at a reported sale price of $1 million.

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However, most of the insurance proceedings during Christmas week took a back seat to the U.S. Trust development, which primarily involves investments by an estimated 6,000 persons in the company's "certified drafts," supposedly redeemable at any time and any place. Most of the $5,800,000 of liabilities are individual deposits of a semi-banking variety in the bank department of U.S. Trust & Guaranty. The company engaged in the insurance business to the tune of about $2½ million in annual premiums of full coverage automobile. It has been advertising on television and in newspapers that it pays 5% interest on its deposits.

In deciding for the receivership of U.S. Trust & Guaranty, Judge Betts commented it and its two affiliates "were born in sin and inequity and fraud and . . . seem to have been conducted in that manner from that time to the present." Examiner Tom Robinson of the insurance department said the company claimed assets of $8,079,622, of which only about 10% was admissible under Texas laws. He said U.S. Trust calculated bonds at a value of $6,069,000, although they had been purchased from U.S. Automotive Service for about $1,500,000. Although U.S. Trust has been in impaired financial condition from its inception, Mr. Robinson said it loaned Arkansas F.&M. about $500,000 in return for the latter's pledge to reinsure some U.S. Trust insurance business.

U.S. Automotive Service lost money every year from 1951 through 1954 at the rate of $32,000 in 1951, $31,000 in 1952, $35,000 in 1953 and $455,000 in 1954. It nevertheless declared a $500 dividend in 1954, although a member of the state auditor's office said he could not find in the company records the authority for the payment of the dividend. In the first six months of 1955, U.S. Automotive was operating at a $420,894 loss.

Mrs. R. F. Cowan to Retire from Pacific Board

Mrs. R. F. Cowan, secretary of the advisory committees of Pacific Board, will retire on Dec. 31 after 30 years' service.

Mrs. Cowan's career began in 1910 and during the next decade she was secretary to the president and secretary of Fireman's Fund, the late William J. Duton and H. P. Blanchard. In 1919, the consulting committees for Washington, Idaho, Hawaii, Arizona and Oregon established the advisory committes' office, and six years later, Mrs. Cowan was placed in charge.

With Mrs. Cowan's retirement, the office at 465 California street San Francisco, will be closed. After Jan. 1, service on Washington, Idaho and Hawaii tariffs and schedules will be handled through the Pacific Board's office at 320 California street.

American Surety Gives Insurance Press Lunch

American Surety was host to representatives of the insurance press, as is customary during the Christmas season. Those attending from the head office of the company were Arthur F. Lafrentz, William E. McKell, Howard P. Dunham, C. H. Hall, Raldolph E. Brown, A. H. Hunt, and Walter H. Riley.

Highlights of the Week's News

Nationwide Offer Will Hike Agents' Income $2,225,000

New agreements which will increase the annual earnings of Nationwide group's agents by an estimated $2,225,000 have been disclosed by Nationwide Mutual, Nationwide Mutual Fire and Nationwide Life effective Jan. 1.

W. A. White, vice-president of sales, said the new agreements are being discussed with agents in all of the companies' 330 sales districts in eastern America and reactions indicate approval.

Both career and part-time agents have the status of independent contractors with Nationwide which, under agreement terms, they represent exclusively and individually.

The new program provides for master and standard agents' agreements. The master agent contract applies to full-time career agents who meet certain performance (better than 65% auto loss ratio) and service requirements, Mr. White explained. It is expected that more than half of Nationwide's 2,250 present agents will qualify initially, and in increasing numbers as time goes on. The standard agreement will apply to all other agents.

Agents under the master contract will receive 10% renewal commissions on auto business, increased commissions on life, A&S, and fire, and assurance of extended renewal payments if terminated by the company. Under the standard agreement, agents will continue to receive 8% auto renewals. However, agents under the standard agreement will benefit from other increased commission rates to the extent of an estimated 5% boost in annual earnings, Mr. White said.

Benefits in the former agreement are continued. These include provisions for retirement with a guaranteed monthly income for life starting at age 65, death payments, and facilities for group A&S, accidental death and dismemberment, hospital and surgical benefits insurance.

Mr. White revealed establishment of three special facilities designed to encourage freer communication between agents and management. These are the agent's regional roundtables, agents' company advisory council, and agents' administrative review boards. Each roundtable consists of one elected agent from each district within a region. The council consists of one agent elected from each region. The review board is a regional unit consisting of the regional manager, the agent who serves on the agents' company advisory council and a policyholder representative.

The policyholder representative is selected by the regional policyholder advisory committee, part of a policyholder participation program which is unusual in the industry.

The review board is set up primarily to review problems which agents feel have not been solved satisfactorily in the regular channels, Mr. White said. The procedure is for an agent to review his problem with his district manager. Next, if he is not satisfied, with his regional sales manager, and then, if necessary, with his regional manager. The final step would be for him to request a study of the situation by the review board.

Donald R. Meyer, who has been with R. A. Corroon & Co., New York City brokerage firm, has joined Pomerleau agency at Burlington, Vt.

Holman, Weymouth, Beatty to Assist Dekker on Coast

Nicholas Dekker, who is vice-president in charge of Pacific coast affairs of America Fore group replacing H. Clyde Edmundson, vice-president and manager, who is retiring, will be assisted by Secretaries Alfred V. Holman, Stephen W. Weymouth and Claude J. Beatty. Also retiring under the group's retirement plan is Secretary Paul J. Emme, who has been with the group 41 years.

Mr. Dekker has been with America Fore since 1916 when he joined Continental as a district boy. He went to Minnesota in 1921 as a special agent and subsequently was state agent in Kansas for American Eagle and First American Fire and later became joint supervisor of the group's fire companies in western Kansas. He returned to Minnesota as state agent in 1933, and in 1948 transferred as executive assistant to the western department in Chicago. He became assistant secretary of the fire companies in 1954 and assumed duties at the Pacific department in San Francisco. He is a past MLG of the Minnesota pond of Blue Goose.

Mr. Emme spent his entire career with America Fore group, having joined Fidelity & Casualty as an office boy at Los Angeles in 1914. He served progressively as plate glass clerk, special agent and assistant manager at Los Angeles, resident manager in charge of southern California and Arizona and, in 1949, became a secretary and transferred to the Pacific department.

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Mr. Beatty recently has been resident manager at Los Angeles of Fidelity & Casualty. He has been appointed secretary of that company and will assume enlarged duties in the Pacific coast operations with headquarters at San Francisco. He entered insurance in Detroit in 1927 with Standard Accident and went with America Fore in 1935 as assistant bond superintendent at Detroit. The next year he opened the Flint, Mich., service office and was promoted to special agent. He transferred to Detroit in 1939 as superintendent of the bond department and after military service became agency superintendent there. In 1947 he opened the Charlotte, N.C., office and served as resident manager. In 1949 he became resident manager at Los Angeles.

Frank W. Hofstatter has been appointed resident manager to succeed Mr. Beatty. Mr. Hofstatter joined the group in 1940 as a rater in the New York City metropolitan office. After military service he went to Los Angeles as an underwriter with Fidelity & Casualty. He became special agent at Los Angeles of that company in 1949 and became agency superintendent here in 1952.

Ia. Commissioner Issues Coinsurance Restrictions

DES MOINES—Commissioner Bennett of Iowa has issued a bulletin which continues the prohibition of coinsurance on single family dwellings, farm buildings and household goods.

The legislature earlier this year repealed the former statute on coinsurance which had required the signature of the insured and set forth the endorsement form and also prohibited the endorsement on family dwellings and farm buildings. Mr. Bennett, in continuing this prohibition, pointed out that the citizens of Iowa had become accustomed to the restrictions and it would appear to be contrary to public interest now to permit its use.

Under the new law passed by the legislature the signature of the insured is not required and the insurance commissioner must approve the endorsement forms.

Auto Club to Hear Ford Engineer

Alexander L. Haynes, executive engineer of Ford Motor Co., will speak on recent safety innovations in cars on Jan. 10 before the Automobile Underwriters Club of New York at the Drug & Chemical Club.

Hartford Accident to Open Dallas Branch

Hartford Accident will open its 31st fully equipped branch Jan. 3 in the Adolphus Tower Building, Dallas.

The office, headed by George H. Beach, manager, will have complete underwriting, engineering, auditing and claims facilities for agents in 125 counties in the northern half of Texas.

President Wilson C. Jainsen and Frank C. McVicar and William H. Wallace, vice-presidents, will attend the open house Jan. 24 from the home office.

Associated with Mr. Beach will be Melvin H. Thweatt, C. Rider Griswold and Harry L. Hartling in the bond and casulaty departments. L. E. Wade is claims manager, K. R. Welsh district engineer, C. G. Bowser resident auditor, and John Mynett office manager.

International Claim Assn. will hold its annual meeting Sept. 17-19 at the Chamberlain, Fort Monroe, Va.

Croke Is Security Manager of 15 Midwest States

Robert E. Croke has been appointed resident secretary at Chicago by Security-Connecticut group. He will supervise all production for 15 midwest states from offices at 208 South LaSalle street, Chicago.

Robert E. Croke

He has been associate resident secretary assisting J. J. Hubbell, who has retired. He joined Security-Connecticut in 1941 as state agent in Illinois, later becoming manager at Detroit. After navy service he returned to Security as state agent in Kentucky before being transferred to Chicago as western marine manager. He is a graduate of Northwestern university's fire insurance scholarship course and has attended Kent college of law.

Georgia Agency Marks 50th Anniversary

Tennille, Jones & Co., local agency at Bainbridge, Ga., is marking its 50th year representing Scottish Union.

Frank S. Jones, who signed the original commission Dec. 29, 1905, is still an active member of the agency. Lucius Tennille became a partner in 1945. A bronze plaque will be given the agency at a dinner Jan. 5 in Bainbridge. Beckover Toy, special agent, will make the presentation.

Carolina Casualty Sells 30,000 Common Shares

Carolina Casualty has sold 30,000 shares of common stock at $10 to produce $300,000 and bring policyholder surplus to $1,350,000 and total surplus to $2,200,000.

The sale raises the capital of the company to $854,382. All 30,000 shares were offered pro rata to the 1,850 stockholders on the basis of 3.8% of their holdings. A stock dividend of 5% will be paid to stockholders of record as of Dec. 10.

The company has entered Wisconsin, the 45th state in which it is licensed.

Gives Views on Letting Direct Writers Enjoy Agency System Benefits

The following letter is from H. W. Mullins of Rockford, immediate past president of Illinois Assn. of Insurance Agents:

The report of the annual meeting of Illinois Assn. of Insurance Agents contains remarks concerning one portion of my president's report that appears to be somewhat misleading. I quote one paragraph as follows:

"Mr. Mullins called it 'wholly intolerable' that companies which derive their business through independent agents should accept reinsurance business from direct writers."

My reference to the companies accepting reinsurance from direct writers was incidental rather than constituting my principal objection. What I actually had reference to were instances where representatives of direct writers hold broker's licenses and place business through agents or direct with companies, involving particularly lines of insurance such as aviation which the direct writers do not have facilities to handle or in assisting the direct writers in handling large lines on which they do not have adequate capacity.

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My contention is that no self-respecting independent local agent should accept business from brokers who are actually representatives of direct writers and no companies or their associations should accept business from such individuals holding a broker's license. I further contend that when an agency company unknowingly acquires business through an agency which actually emanated from a direct writer or the representative of a direct writer, that company should cancel that business if the true facts later come to its attention. The reinsurance aspect is equally important but was not the point I was stressing.

350 Attend North British Yule Party

About 350 employes attended North British group's annual Christmas party at St. George hotel, New York. W. L. Nolen, United States manager, spoke for management. James J. Wallace, president of the Employes' Club, was in charge of arrangements.

Laidlaw Resigns as Manager of FCIC

Charles S. Laidlaw has resigned as manager, director and secretary of Federal Crop Insurance Corp. after 2½ years. About April 1 he will return to his post as chairman of Minnesota Mutual Fire & Casualty and Minnesota Farmers Mutual, after a Florida vacation.

His departure from government service is for personal reasons, and was planned for some time. It was speeded up by his difficulty with a fractured spinal disc, which is expected to incapacitate him for some time. He is presently in Georgetown University hospital.

Mr. Laidlaw feels he had gone about as far as he could in reorganization of FCIC, which he regards now as "pretty well streamlined."

FCIC Secretary Carl Fretts is expected to become acting manager. James McConnell, assistant secretary of agriculture, and FCIC chairman, recently resigned. The two remaining FCIC directors are C. B. Funderburk of Atlanta, and R. B. McLeish, head of the farmers home administration, Department of Agriculture.

Richard Roth, manager of Crop-Hail Insurance Actuarial Assn. of Chicago, resigned just a few weeks ago as an FCIC director. This leaves one insurance man on the FCIC board, C. B. Funderburk of Cotton States Mutual.

$165,000 Loss in N. J. Church Fire

The loss from the fire which destroyed the 30-year-old First Presbyterian church at Matawan, N. J., Christmas night will run total to insurance of $165,000. A church member reportedly confessed to setting the fire to the church. A garage on the church premises also was destroyed. Building and contents were totally destroyed.

American Casualty to Open Peoria Office

American Casualty will open a new branch office at 1031 Jefferson Building, Peoria, Jan. 3, under Robert E. Scribner, resident manager, and former field representative and underwriter at Chicago. He will be assisted by Norman T. McClure, claims manager, and Robert Bronner, field representative.

Peoria is the third branch opened by the company in 1955. The others are at Sioux Falls, S. D., and Manchester, N. H.

Hold 8-Hour Seminar on Commercial Block Policy

LOS ANGELES—More than 550 company men and agents attended an eight-hour panel session on the new commercial block policy at the annual dinner meeting here of the southern California district committee of Insurance Brokers Exchange of California.

Panel members included W. D. Frampton, assistant secretary of Great American group; Gerald V. Ball, assistant manager of Pacific Board; Merill A. Olson assistant Pacific coast manager for Phoenix of London, and Fay H. Hawkins, assistant manager of Pacific Fire Rating Bureau, all of San Francisco.

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J. H. Derrough, executive secretary of the exchange, moderated the panel. The 11 commercial property forms and the two supplemental specific forms were discussed line by line and word for word with more than two hours of explanations and clarifications devoted to the basic forms. Application forms, rules, rates and other forms were also explained.

Special subcommittees of the Pacific Board and Pacific Fire Rating Bureau spent some two years in developing the new form.

The exchange plans to hold a similar seminar open to anyone in the industry on Jan. 13 at the Fairmont hotel, San Francisco.

Rhode Island Assn. of Insurance Women will conduct a 10 week educational course at the Sheraton Biltmore hotel, Providence, beginning Jan. 5. Purpose of the course is to train girls in insurance offices in the basic fundmentals of policy coverages, underwriting and give a general knowledge of fire, liability policies.

General Accident Promotes McNamara

General Accident has appointed Joseph M. McNamara manager of the claims division. He will supervise the company's claims operations.

Claims and legal programs continue under the general direction of Harold Scott Baile, deputy general manager and general counsel, and Harold C. Lynch, assistant general manager.

Prior to joining General Accident, Mr. McNamara was with Preferred Accident and later with American Surety's Newark office as claims manager. He was named claims manager of General Accident's Newark office and subsequently general field supervisor of the home office claims department.

E. Ellsworth Keeley has been named counsel to the claims division.

Scottish Union Names Appleton & Cox

Appleton & Cox has been appointed manager of the marine and inland marine departments of Scottish Union & National and American Union, effective Jan. 1.

Bates Retires from America Fore Group

William L. Bates, vice-president of America Fore, will retire at year's end after 42 years service with Fidelity & Casualty and the group. Erwin H. Luecke, vice-president, will assume Mr. Bates' duties in addition to his present responsibilities.

Mr. Bates joined Fidelity & Casualty as a fidelity bond examiner. He was named fidelity division office manager in 1923, assistant superintendent in 1925 and secretary in 1934. He was elected vice-president of all five companies in 1944 and was in charge of underwriting for accident, burglary, plate glass and boiler.

Mr. Luecke joined Fidelity & Casualty as special agent in St. Louis in 1925. He opened the company's service offices in South Bend in 1929 and in Sioux Falls, S. D., a year later. He was named agency supervisor for St. Louis in 1936 and was transferred to the New York home office as production superintendent in 1938. He was promoted to superintendent of agencies in 1951, named secretary in 1954 and vice-president of all companies last spring.

Home Plays Biggest Santa in PAL History

Home employes have made the largest single contribution of Christmas toys, dolls and games to the New York Police Athletic League.

George E. Ingram, president of 59 Maiden Lane Club, employe organization handed to Deputy Police Commissioner Nolan about 3,000 gifts averaging more than one for each employe. The toys were given to children of the city at various precinct stations Christmas eve.

Home's Yule Sing Aired in District

Christmas carols wafted through the canyons of the New York insurance district as about 50 men and women presented Home's annual Christmas program over an outside loudspeaker hook-up. The carollers and orchestral accompaniment were from the 59 Maiden Lane Glee Club.

Kenneth E. Black, Home president, presented 57 charwoman serving the company's New York building with 58 pound Christmas baskets. He noted that the holiday custom was originated in 1938 by Harold V. Smith, chairman. Because of the weight of the baskets, the company arranged for delivery to the homes of recipients.

Bauer, Nietert V-Ps of Appleton & Cox

Appleton & Cox of New York has appointed Charles J. Bauer and Rudolph A. Nietert vice-presidents.

Mr. Bauer has specialized in marine claims since joining the firm in 1949. He will continue in that department.

Mr. Nietert has spent his entire business career in the marine field. He is manager of the hull department and will contine in that capacity. He is chairman of Tugboat Underwriting Syndicate.

San Antonio Exchange Elects Owen Caldcleugh

San Antonio Insurance Exchange has elected Owen Caldcleugh, president for 1956, with Travis D. Bailey vice-president, and F. F. Ludolph secretary. Mr. Ludolph was reelected for his 43rd term. He is the only living founder of San Antonio Exchange.

Hail Adjustment & Research Assn. Reelects Officers

All officers of Hail Insurance Adjustment & Research Assn. were reelected at the annual meeting in Chicago. B. Y. Morris, Rain & Hail Insurance Bureau, is president; M. E. Aegerter, Home, vice-president; H. W. Wyant, Great American, secretary-treasurer, and K. S. Ogilvie, Western Underwriters Assn., assistant secretary.

Mr. Morris, in his presidential address, remarked that there is room for improvement in the profit and loss picture. The association covers all but the southeastern states, and in its territory hail premiums of the members were $37,113,565, and losses $21,762,636 producing a 58.64% loss ratio. The business was written at an average rate of $4.10 per $100 of insurance.

The association concerns itself primarily with losses and loss adjustments and Mr. Morris said his information is that the great volume of claims during the year were handled satisfactorily. Six adjusters' schools were held during the year, at Oklahoma City, Des Moines, Minneapolis, Cumberland Falls Park, Ky., Great Falls, Mont., and Amherst, Mass., with a registered attendance totaling 831. Additionally, Southeastern Hail Conference had three schools with 357 attending.

There are three regional committees of Hail Adjustment & Research Assn., on the Pacific coast, in the southwest and in the east, and there are 11 loss adjustment committees operating in one or more states. Mr. Morris commented that they operate as loss clearing bureaus and as clearing houses for discussion and distribution of information about crop conditions. Further, they have largely assumed the responsibility for adjusters' schools.

The association has been for a number of years financing research in simulated hail damage to various growing crops and a number of colleges and universities, and an appropriation was made to continue this activity.

Plans for 1956 adjuster's schools were made, and the list includes a school in February on cotton for adjusters in Texas; March, sorghum and small grain for adjusters in Kansas and Oklahoma; April, corn and soy beans for Iowa and Nebraska; May, small grain for the Dakotas and Minnesota; June, tobacco for Kentucky and Tennessee; June, corn and soy beans for the Chicago states; late June a school for adjusters in the Pacific northwest, and July, a school for eastern states adjusters at Amherst, Mass.

PLANS FOR OLDER AGES

Metropolitan Life Offers Paid-up at 65 A&S Policy

NEW YORK—Two new hospital and surgical expense insurance plans providing benefits at the older ages as well as during one's active years are being introduced by Metropolitan Life.

On one of these plans, believed to be the first of its kind offered by any insurance company, the premium payments cease when the insured reaches age 65, and paid-up benefits on a modified basis are provided without further premium payments for as long as the insured lives.

The plan provides coverage for the insured during his years of active employment and at the same time enables him to make provision for modified coverage without further payment of premiums during his retirement.

The insurance is offered to family groups a well as to individuals. Unmarried children under 18 may be insured in the family group. Upon reaching age 18 the child no longer is covered by the family policy, but may apply for the insurance as an individual. The plan will be issued to persons from 18 through 55.

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A feature of the family group policy is what is termed an "extremely liberal" maternity benefit.

The insurance is guaranteed renewable. However, because of the changing tends in hospital usage and costs, and the experimental nature—at the higher ages—of this kind of coverage, Metropolitan reserves the right to adjust the premium charges on such policies as a class.

The other new hospital and surgical expense insurance plan, also guaranteed renewable under the same conditions, is offered to persons up to 75 years of age. This coverage continues and premiums are payable so long as the insured lives.

This second policy makes hospital and surgical expense coverage available to those who prefer a lower premium policy or who are not eligible because of age to apply for the paid-up-at-65 plan. It also is offered to family groups and to individuals.

Both plans provide for hospital board and room payments, surgical operation payments, and hospital service benefits, all subject to stated limitations. Comprehensive poliomylitis expense benefits are included.

"The cost of hospital and surgical care in the later years of life is one of the truly difficult problems individuals are faced with today," President F. W. Ecker commented. "It is expected that these two plans will be of considerable assistance in meeting this problem."

Conn. Agents Name Committee Chiefs

Walter E. North of Bridgeport, president of Connecticut Assn. of Insurance Agents, has appointed committee chairmen for 1956.

They are Loring Miller of Milford, education; Paul C. Manchester of Weston, driver education; Valmore H. Forcier of Danielson, finance; Stetson Ward of New Haven, legislative; George W. Haynor of Waterbury, local boards and membership; Eben Lerned, Jr. of Norwich, public relations, and Elzy Walters Jr. of Stamford, rules, rates and forms.

Commercial Block Status Aired at N. Y. Hearing

(CONTINUED FROM PAGE 1)

stand why some companies prefer the IM classification on account of its reinsurance arrangements.

Atlantic Mutual companies believe that package policies are in the public interest, C. P. Butler, counsel, stated. They are definitely opposed to extending the IM definition to include the commercial block type of coverages because it is not proper to use the definition as a catch-all for new coverages or those that may come out in the future.

At this point Mr. Holz asked if Mr. Butler thought the department should have legislation on commercial block. Mr. Butler said it might be advisable, to clarify the situation. He added that the companies are not attempting to avoid fire premium taxes, and these can be figured out on package policies probably on a formula basis. He said he was opposed to protecting the casualty and fire statistics by line to the extent of stopping the development of multiple peril underwriting.

The Atlantic companies want the indivisible premium of the commercial block type policies maintained, but losses can be broken down by peril. The department then can keep an eye on experience so that not too much violence is done to the fire experience.

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President John R. Barry of Corroon & Reynolds indicated that his companies are writing the comprehensive dwelling policy and that he is not opposed to package policies as such. However, he has serious questions with respect to some of the packages and particularly with regard to some of the claims made for them.

He started his discussion by unfolding a comprehensive dwelling policy, which extended almost to the floor when he held it up.

He pointed out that proponents of package policies have urged that they result in simplification and make for more efficient and economical operation. The daily report that he was holding up, he said, speaks for itself on that point.

The business has been criticized for years because its policies were too complicated and the average man could not understand what they said. The business believes that it has made substantial progress in meeting and overcoming this criticism. But all of this progress has been completely undone by the new forms of contract which cannot be understood by laymen, lawyers, the companies or the regulatory authorities.

The fact that proponents of package policies say that they are in the public interest doesn't necessarily make them so, he declared. He thinks there is a definite duty and obligation on the part of the insurance department to study carefully this particular question. Use of a broad form is not necessarily in the public interest; the big thing is for policies issued to the public to be understood by insured as to what is and what is not covered.

He said that Corroon & Reynolds has corresponded with the insurance department for several years in the belief that package policies written at an indivisible premium create a new class of insurance since premiums and losses are not allocated to fire, extended coverage, inland marine, liability, etc. They have been reported, by permission of the New York department, as "not otherwise classified," "multiple peril," "multiple line," etc. It is Mr. Barry's contention that this constitutes the setting up of a new class of insurance and violates the express intent of the legislature. He called attention to section 46 of the insurance code which prohibits domestic insurers from doing any kind of business other than those specified in the section. The legislature, he declared, jealously guarded the privilege of setting up new classes of insurance by providing that that could be done only by legislation.

Mr. Barry then asked the department under what heading it is including the premiums and losses reported as multiple line, multiple peril, etc., for the loss and expense exhibit which the department gets out each year.

New York laws provide for the support of fire departments and firemen's relief and pension funds by imposing a tax on fire premiums, he went on. The return for such taxes must be on a form prescribed and furnished by the superintendent, so that he is charged with the responsibility for proper reporting of all premiums for fire insurance, for this purpose. This obligation has been overlooked and companies are not being required to live up to all the requirements of the law, when premiums for fire insurance are reported as multiple peril, multiple line or whatever.

It is his position, he said, that no indivisible premium in a package policy should be approved unless there is clearly set forth a base for determining the premiums and losses on

the classes which are included. Unless this plan is followed, all statistics will be useless and worthless. If it is impossible to determine the amount of EC premium and losses in the package policies, the credibility of all EC statistics is destroyed. The same is true of other classes.

This becomes extremely important, he said, because the filings for the package policies are based primarily on the rates filed by the same companies for policies issued by them which cover against only one or two of the hazards included in the package policies. This puts those companies in the position of having two rates filed for the same peril.

The qualifications necessary to be eligible for these package policies create class distinctions, he said. To get a homeowners policy, a man must have a dwelling worth a certain amount, otherwise he cannot obtain the reduced rate. The homeowner with a medium sized dwelling is simply not taken care of, but must pay a higher rate on the theory that his insurance is more expensive to handle.

Mr. Barry also thinks it is an illusion that the grouping of hazards into a package policy results in great savings. The commission rate being paid by virtually every company in the business on these policies is far in excess of the commission considered as a part of the cost in arriving at the expense factor. In fact, insurers are paying 30%—they have to, to get the business, he said. As to savings in bookkeeping, statistical work, etc., if the laws of the state are observed, there is no saving but on the contrary an increased expense. The department has taken it for granted that the statements made in this respect were correct, but it must be conceded now that there is no evidence that these conclusions were correct.

He said that he had called the attention of the department to the necessity of segregating the liability portion of the premium in the package policies because of the requirements of schedule P of the annual statement. On Dec. 13, he said, the Maryland department warned companies that schedule P of any annual statement filed with that department must be fully completed and must reflect all premiums developed under any form of liability coverage.

Mr. Barry said he understood there is no difference between Maryland and New York as to schedule P requirements. It is unnecessary to argue that there must be a uniform method of determining the liability portion of the premiums under package policies.

He added that when the multiple line rating law was passed, the business specifically testified that there would be no indivisible premiums. The department may find itself some day in the position of being unable to administer the rating law of the state, he suggested. If things keep on in this direction, the state may be compelled to create its own rating bureau, or the umbrella of public law 15 will be withdrawn from the state if there is a breakdown in state regulation.

Mr. Holz asked if it were Mr. Barry's contention that if the department approves one of the package forms, the premium charge must be the sum total of the charges for individual cov-

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erages. Mr. Barry said yes. Putting it all in one policy doesn't make it cheaper, and, he said, he can prove that it costs more.

The availability of a filed plan for policies of this type including forms of coverage, rating treatment and rules for implementation is in the public interest, R. M. Beckwith, manager of Inter-Regional Insurance Conference, said.

He said that he felt the commercial property policies should be classified as multiple line, not inland marine, subject, however, to concurrent filings by National Bureau, Inland Marine Insurance Bureau, and the fire rating organization having jurisdiction. In addition, the clasification should embrace wholesale and retail mercantile classes other than those presently classified as "inland marine" under the nationwide definition.

The recording and reporting of commercial block policies should be studied further and there should be conference with the insurance department Mr. Beckwith stated. He also told of I-R's plans to produce a program for rates, rules and forms on commercial block by the end of the year, and said he did not disagree with Mr. Barry on the need for a proper breakdown of premiums developed by commercial block policies. The problem, he said, has been put up to National Board, which has a committee working on it and expects to develop a suitable plan for showing a breakdown.

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Percy Chubb II of Chubb & Son commented that the commercial property policy it has on file with the department is broad in coverage. A concerted effort has been made to reduce the policy form and rating procedure to the simplest possible basis for insured, producer and company. The contemplated rating structure will, in the judgment of experienced underwriters, produce a premium level which will not only appeal to a broad segment of the insuring public, but will also be adequate to meet anticipated losses and expenses, and provide a reasonable profit.

Mr. Holz asked Mr. Chubb if it were his idea that the use of the packaging principle spreads the exposure so that experience should be better for the insurer. Mr. Chubb said yes, that on specific lines, such as water damage, burglary, etc., the company gets an adverse selection; those most likely to have such losses are the ones who buy the coverage. There is, however, some expense saving, Mr. Chubb believes.

At another point Mr. Holz asked if Mr. Chubb believes the breakdown of premiums by individual line is expensive and serves no useful purpose. Mr. Chubb replied that there is not a sufficient experience on some of the smaller individual lines for present uses. Mr. Holz asked him if the opportunity were not greater for error if the premiums were not broken down.

Mr. Chubb said he did not believe that breaking down the premiums would increase the credibility of figures for individual lines, but would have the opposite effect. The personal property floater is an indivisible premium. This is certainly true, he said, if there is anything in the premise that companies can improve their experience by getting a greater distribution of some of the less widely sold lines.

But, Mr. Holz asked, don't insurers use these individual line figures now to arrive at the premium on the packages? Mr. Chubb said not precisely, they are used as a starting or reference point.

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At this point Mr. Holz declared that he wants to provide the public with more coverage for less, but that he also wanted to avoid the danger of an inadequate rate.

Mr. Barry recalled the experience of 1929-1930 when there was a high mortality among insurers. Mr. Holz rejoined that he was just as interested in seeing that rates are adequate as that they are not excessive, and he did not believe that the present situation could be compared with 1929.

To which Mr. Barry responded that he would like to compete on a judgment base, but that the use of package policies contravenes the law. If the legislature says that the new class is multiple peril, all right, but until then, that is the law.

Mr. Wikler pointed out that the insurance department in approving form and rate filings does not accept the judgment of the filer on the entire figure; there is a reference to the breakdown of experience to check the propriety of rate.

Mr. Barry said he had tried to get the department for two years to tell him how to allocate homeowners premiums, but that the department keeps referring him to the rating bureau.

If 35 to 40% of the dwelling business is transferred to homeowners, how can the department tell what the experience is on fire, extended coverage, etc., in this occupancy? Mr. Barry asked. The effect is to pull that particular group of business out of the general experience.

W. H. Rodda, manager of Transportation Insurance Rating Bureau, said he and his companies believe that the mercantile block type of policy is in the public interest. There are certain classes of merchants who can buy a broad form under inland marine, such as jewelers, camera, storekeepers and so on. This privilege should be extended to all mercantile risks, he believes. His companies are ready to do so and their mercantile block coverage has been approved in several states.

He added that TIRB's filing is about one-fourth as long as Mr. Barry's CDP daily—he believes an intelligent policyholder can understand it.

As to whether the block policies should be classified as inland marine, multiple line or multiple peril, he said IM has certain advantages in handling, and it is agreeable with TIRB to call the block forms inland marine —but only if there are no restrictions of cover as to occupancy. He pointed out that jewelers can include furniture and fixtures in their package policies but other dealers are not allowed to do so. TIRB feels that other dealers should be allowed to include furniture and fixtures.

Mr. Holz interrupted to ask why this variation should be. He called for an explanation, and Joseph G. Bill of Inland Marine Insurance Bureau called attention to the historical development in this field. At one time the jewelers' coverage was written almost entirely in London. The New York commissioner asked that the powers of New York companies be enlarged so that they could write jewelers block, and the legislation was adopted. Many other states followed suit.

This was dictated, then, by expediency rather than by rationale, Mr. Holz said. Mr. Bill agreed that it was dictated by competition.

Mr. Rodda continued that if the nationwide definition is broad enough to include the half-dozen or so dealer floaters now so classified, then other mercantile block forms could be so classified. However, it would be satisfactory to classify commercial block policies as multiple line.

He thinks that experience should be recorded and reported on the package rather than on separate lines in the package, inasmuch as it has an indivisible premium. He noted that extended coverage is a package with an indivisible premium. He recalled that it eventually ruined the windstorm business as a separate line and also destroyed the credibility of windstorm only figures. There has been no breakdown of premiums or losses for the various perils in the EC package. The same thing holds true for automobile comprehensive, which destroyed the fire and theft business and ruined the figures by those lines.

He said TIRB plans to keep the experience on its mercantile block policy by occupancy, cause of loss, etc. In arriving at the rate, TIRB uses the fire rate plus EC plus the loading. The latter is based on judgment plus an allowance for water damage and burglary. He said he agreed with Mr. Chubb, that there has been an adverse selection with respect to in-

dividual lines of a secondary nature. This would be improved in package policies and TIRB modified its rate on that account.

Mr. Rodda believes that the time will come when packages will be able to stand on their own feet. He said that TIRB is planning to maintain its statistics so that in the future it can build its rate on the experience of the package.

While Multiple Peril Insurance Rating Organization does not have a commercial block policy on file nor does it contemplate any at present, Roy C. McCullough, manager, thinks that extension of broad forms of the package type, in an orderly manner, is in the public interest and in the interest of the business. Empiro, he said, holds no brief for or against classifying such coverages as IM or multiple line, the designation does not make too much difference.

There are several ways that the experience and premiums on such packages can be recorded and reported—it is Empiro's idea that whatever method is used in rating the coverage should be followed in collecting statistics.

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To say a company can't write a policy because it doesn't fit in the statistical system of National Bureau, or National Board, or Empiro, is a restriction that is contrary to New York law. There should be no enforced artificial breakdown of figures. Section 185 of the New York law states that no insurer shall be required to record or report on a base that does not accord with the plan it is using.

Mr. McCullough noted that at one time the rate for windstorm only coverage equalled or exceeded the rate for EC. EC experience has not been separated into its components, neither have EC premiums been so treated. He suggested that if the insurance department asked a company to separate its EC losses into its components, a company could find relief under section 185.

On homeowners, the premiums are reported for the packages, A, B and C, and losses are broken down by principal peril—fire, wind, water damage, theft, liability, EC and additional EC. He said Empiro is building a body of credible statistics on the homeowners form.

Mr. Holz asked if it was Mr. McCullough's view that the premium on homeowners over-all might be satisfactory though there may be an overcharge on one peril and an undercharge on another. Mr. McCullough agreed with this. He said he opposed separating and showing experience by lines. He added that there does have to be some reasonable ratio between the experience on the individual line and what is included in the rate for that line in the package.

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He declared that companies are not trying to avoid their premium taxes. If an insurer pays a tax on its premiums for the support of a fire department or firemen's fund, the insurer gets an offset in the premium tax for the portion so paid. Consequently, there is no motive for a company to chisel. He said Empiro has used the formula method to allocate premiums fairly between fire and other components in the homeowners cover.

As to commissions, he said rating organizations cannot control them. On homeowners they are higher than at the inception of the coverage, but whatever is paid, Empiro will continue to base its rates on what the rating organization regards as a reasonable rate of commission.

Mr. Barry said to Mr. Cullough that he had tried to get Empiro experience on EC but that Mr. McCullough couldn't give him the experience. Is, he asked, Empiro going to use the experience of the fire rating bureau and refuse to give back Empiro's experience by classification?

MacDonald Named V-P of California Compensation

California Compensation & Fire of San Francisco has appointed Joshua S. MacDonald as vice-president and general manager effective Jan. 1.

Formerly with Liberty Mutual, Mr. MacDonald in his new post will direct all casualty and fire production of California Compensation.

Louisiana Fire Assn. Names Committeemen

Capital Stock Fire Insurance Assn. of Louisiana has appointed as committee chairmen for 1956 John J. Gidiere of Royal-Liverpool, public relations; R. C. Gilliam of Home, loss; Robert C. Jakob of Springfield F.&M., fire prevention; Horace C. Herrin of New York Underwriters, membership; and L. P. Ducournau of American Equitable, sick and memorial.

Robert M. McFarland Jr., assistant secretary of Southeastern Underwriters Assn., principal speaker, lauded the Louisiana group for its fire prevention work but added that even greater emphasis must be placed on the public relations fight against fire and its losses.

CORRECTION

A story in the Dec. 15 issue on the annual sales congress of Texas Assn. of A&H Underwriters erroneously identified R. J. Kohlruss as being with Continental Casualty. Mr. Kohlruss is assistant vice-president of Security Life & Accident, Denver. He is also Rocky Mountain chairman of International Assn. of A&H Underwriters.

Holz Revokes Two Licenses

Superintendent of Insurance Holz of New York has revoked all licenses issued to Realty Centre, and its sublicensee, George P. Bendall of Bellerose, N.Y., insurance agent.

Charles H. Cahill who has been senior underwriter of American Policyholders at the home office, has joined the Thomas Black agency in Boston.

FIELD

Fireman's Fund Has Six Hail Field Changes

Fireman's Fund has made six changes in its hail division field personnel effective Jan. 1

M. R. Peterson is to be transferred from Spokane to Chicago as assistant manager of the hail division.

R. B. DuVal Jr. is to be promoted to superintendent of the farm and hail division with headquarters in Chicago.

L. A. Rutherford, hail supervisor, will be transferred to Minneapolis supervising the hail division in North and South Dakota and Minnesota.

R. E. Jorgensen will be transferred from Helena to Spokane as hail supervisor for the Pacific coast states.

R. T. Wallace, state agent in the farm and hail division, will be transferred from Nashville to Louisville to supervise farm and hail business in Kentucky and Tennessee.

M. C. Gardner will be promoted to supervisor in the hail division in charge of the southeastern states from the Raleigh, N. C., office.

Pearson Goes With Security-Connecticut

Craven P. Pearson has been appointed special agent of Security-Connecticut group in charge of all lines in Maryland, Delaware and District of Columbia. His headquarters will be in Baltimore.

He has been with North America for 18 years, except for a period of military service. In 1951 he received the CPCU designation and is currently president of the Maryland CPCU chapter.

W. Va. Pond Midwinter Jan. 18 at Parkersburg

The midwinter meeting of West Virginia pond of Blue Goose will be held Jan. 18 at the Chancellor hotel, and the annual meeting of West Virginia Field Club will be Jan. 19 at the same place. The pond meeting will include a cocktail party and dinner.

Mullen Springfield F.&M. Special Agent in Tenn.

Harold Q. Mullen has joined Springfield F.&M. as special agent in Memphis. He will supervise agents in western Tennessee.

Atlas Names Bess in Ind., King Joins Local Agency

Warren R. Bess has been appointed state agent in Indiana for Atlas to succeed G. E. King, who has resigned to go into the agency business.

Mr. Bess has been in the Indiana field for another company and before that was with a local agency. He is a graduate of Butler university.

Mr. King has purchased the Donald E. Gray agency at Brownsburg, Ind. He had been in the Indiana field with Atlas for four years and before that had bureau experience and field experience with another company.

J. B. Taber to Handle Ky. for America Fore Group

J. B. Taber, who joined America Fore in Kentucky in 1923 after five years in the local agency business at Elizabethtown, Ky., as of Jan. 1, will be state agent for the entire group in Kentucky, with offices in the Starks building, Louisville. For a number of years he represented only Fidelity-Phenix, then also handled the Niagara after Smith Holland was transferred to Tennessee by America Fore a few years ago.

The change results from Cad P. Thurman, senior state agent in the America Fore group in Kentucky, having become insurance director of Kentucky.

Great American Opens Va.-Carolinas Office

Great American group has opened a new department at Raleigh, N.C., to supervise business of its fire companies in Virginia and the Carolinas except for Alexandria, Va., and agencies in Arlington and Fairfax counties, Va. The new office is under the direction of Alexander Webb and Charles D. Arthur, managers, and Henry H. McKimmon, assistant manager.

William B. Ragsdale will continue to supervise the business of Alexandria and the two counties from 520 Woodward building, Washington, D.C.

Richard B. Leary, state agent, assisted by Special Agents Frank W. Tilden and William Hazelgrove will supervise the Virginia fields as heretofore. Mr. Tilden's and Mr. Hazelgrove's headquarters are 409 East Main street, Richmond. Mr. Tilden's headquarters will be at the Colonial American National Bank building, Roanoke, Va.

The hail department service office also will be at the Raleigh office. It will continue under the supervision of Thorvald G. Petersen, who will be assisted by Special Agents Russell R. Ledford and William J. Ritter Jr.

Southwest General Names Smith Special Agent

Paul S. Smith has been appointed special agent for Southwest General at the newly opened Houston office under resident Vice-president W. E. Tesch.

Prior to entering field work with another company, Mr. Smith had several years experience in the Texas insurance checking office in Austin and the rating section of the fire insurance department.

Royal Exchange Opens New Office in Ohio

Royal Exchange has opened a new office at Cuyahoga, for northeastern Ohio agents of Royal Exchange and Provident Fire. Richard J. Bedell, special agent, is in charge of the new office, located in Mair building, 2038 Front street. Mr. Bedell will continue under the supervision of Robert J. Gray, state agent with headquarters in Columbus.

Home Names Donovan Arizona State Agent

Home has appointed Albert M. Donovan state agent at Phoenix under Frank Distel, manager. He joined Home's service department in New York in 1941 and transferred to the Pacific department in 1944 as special agent at Phoenix.

Ohio Fire Assn. to Meet

COLUMBUS—Ohio Fire Underwriters Assn. will hear a talk by Miss Mary Quinn, Ohio Bell Telephone Co. public relations supervisor, at their Jan. 10 meeting.

A property insurance workshop will be held Jan. 15-20. Applications for attendance should be sent to Insurance Institute committee, Room 806, 79 East State street.

Michigan Fire Prevention Assn. will inspect Adrian Jan. 18.

A & S

Mutual Benefit H. & A. Plans New Sales Theme for 1956

Mutual Benefit H.&A. will slant its 1956 national advertising to the theme "Buy With an Easy Mind." The program will begin with a double-page color ad in the Jan. 9 issue of *Life* magazine. The same theme will be carried in other Mutual Benefit advertising—"Zoo Parade," the TV show, and the Bob Considine radio news program.

The idea behind the new advertising is to point out that A&S insurance allows the purchase of other commodities on credit because sickness, accident, hospitalization, surgery or resulting loss of earning power are provided for by insurance.

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H. C. Carden, vice-president in charge of advertising and public relations of Mutual Benefit, said the motivation program was based on the finding that advertising and selling must appeal beyond need. Since most basic needs have been satisfied or are being satisfied, need as a primary advertising appeal does not go far enough. He pointed out that the new Mutual Benefit program will emphasize the positive aspect of A&S protection.

Stoakes New President of Los Angeles A&H Managers

LOS ANGELES—A&H Managers Club of Los Angeles has elected F. Kenneth Stoakes of Loyal Protective Life as president; Richard H. Dutwiler, National Casualty, vice-president, and R. D. Winsor, Auto Club of Southern California, secretary-treasurer. The election followed the Christmas party.

Set 1956 Convention Date

The 1956 convention of the Texas A&H Claims & Underwriters Assn. will be held in San Antonio, June 1-2. Earnest Severin of Time Life of San Antonio, association vice-president, will be program director.

R. B. Donovan, United American, association president, reported the association now has a membership of more than 400 persons, with chapters in Dallas, Houston, San Antonio and Austin.

Hartford A&S Men Elect

Hartford Assn. of A&H Underwriters has elected Lawrence M. Stanley president. Other officers are Fred Dinehart, vice-president; George J. Richards, secretary-treasurer, and William F. Conner, Edward E. Boyce, Kenneth Ostrinsky, Ansel Arnold, Kimberley Cheney, J. Arthur Cope and Stuart C. Ferris, executive committeemen. All are agents in Hartford.

Offer A&S Group Classes

School of insurance of Insurance Society of New York will offer courses on A&S and group A&S cover in the spring semester starting Feb. 6. A&S instructor will be Francis Curran, superintendent of statutory disability division of Loyalty group. The group course will be taught by Raymond C. McCullough, Equitable Society underwriter.

Craftsman has paid a regular quarterly dividend of 10 cents a share on common stock to stockholders of record Dec. 13.

John Cox, vice-president of Berkshire Mutual Fire, will address **Vermont Assn. of Insurance Women** Jan. 12 at the Hartness house, Springfield, Vt. Miss Bernice Butterfield of the Lawrence Wheeler agency of Springfield, is in charge of arrangements.

Sparks Club Elects and Honors Haviland

Sparks Club, mutual field organization, at its annual meeting in Harrisburg, Pa., elected Norman J. Basehore Sr. of Millers Mutual Fire president, Jesse W. Pearson of Penn Mutual vice-president, Albert J. Bush of Laird-Hagee Co. general agency, Harrisburg, secretary, Robert F. Klippel of New Castle Mutual treasurer, and C. Duke McDougall of Washington County Fire and the outgoing president, Joseph R. Grubb Jr. of Educators Mutual, directors.

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Mark J. McAuliffe of Donegal Mutual, vice-president of the club, due to ill health was unable to accept the position of president on advice of his doctor.

James F. Haviland, senior vice-president of Lumbermens Mutual Casualty, Philadelphia, was presented with the Sparks Club honor award for his outstanding contribution to mutual insurance. This is the fourth time the award has been presented in the 19 years of the club.

Indict Five in S. C. in Capital Life Case

Richland (S. C.) county grand jury has indicted five men on charges of conspiracy in connection with the sale of Capital Life to United of Chicago. They are D. D. Murphy, former insurance commissioner of South Carolina, G. R. P. Farquhar and Bradley Layton, former officers of Guaranty F. & M., which is now in receivership, and O.T. Hogan and Paul Temple.

The indictments charge that Messrs. Hogan and Temple paid Messrs. Murphy, Farquhar and Layton $80,000 for bringing about the sale of the life insurer through "false representation, unlawful demands and oppressive threats."

State Farm F.&C. Adds to Capital and Surplus

State Farm Mutual Automobile, the owner of 100% of the stock of State Farm Fire & Casualty, has added $5 million to the capital and surplus funds of its affiliate. With the addition of $1 million to capital, State Farm Fire & Casualty now has capitalization of $2,-500,000, and surplus now amounts to $7 million, with the addition of $4 million. The parent automobile company purchased 100,000 new shares of $10 par value stock at $50 per share.

Direct premiums of State Farm F.&C. in 1955 are expected to exceed $16 million, which would be a 32% increase over 1954. After reinsurance cessions, net premiums for 1955 will be approximately $9.7 million.

Springfield F.&M. Opens Washington, D. C. Office

Springfield F.&M. group will open a multiple line service office at 1014-16 Woodward building, Washington, D.C., Jan. 3. Carl S. Swarr, former special agent in Pennsylvania of U.S.F.&G., has joined the group as manager of the new office. He is a past president of Pennsylvania Field Club.

Special Agent Joins Agency

Richard T. Brinkley, who has been a special agent of Great American Indemnity in North Carolina, has joined the Elam agency in Winston-Salem, N. C.

CORRECTION

In reporting last week the appointment of Charles E. Woodward as vice-president of National Insurance Service of Chicago, it was incorrectly stated that one of the companies represented was Universal Life of Carson City, Nev. This should have been Universe Life of Carson City.

C. F. Laude Is New President of Crop-Hail Assn.

C. F. Laude of Rain & Hail Insurance Bureau was elected president of Crop-Hail Insurance Actuarial Assn. at the annual meeting in Chicago. He succeeds B. R. Walinder of America Fore, who has served for two years. L. E. Morgan of Corroon & Reynolds at Topeka is vice-president, and L. G. Van Zile of Fireman's Fund is secretary. Richard J. Roth of Crop-Hail Assn. is assistant secretary-manager.

B. R. Walinder

As reported last month, the members and subscribers of Crop-Hail Assn. had a record premium volume of $54,750,814. In his presidential address, Mr. Walinder said the premium increase reflects a gradual and healthy growth which he predicted will continue.

• • •

Mr. Walinder said there should be satisfaction with the results of the business last year in view of the fact that the frequency of hailstorms has been on the increase. "If in the face of this the results are in the black it seems fair to conclude that we have built on a solid foundation," he remarked.

He warned the hail writers to be on guard against credit extension. The crop-hail business has been stringent on this score and lush times should not tempt the companies to change their practices.

The executive committee in its report said 11 new members and two subscribers have joined Crop-Hail Assn., giving a total of 87 members and 17 subscribers. The association has set up a committee on evaluation of weather modification activities to study the effects of experiments in weather control

An amendment was made in the constitution to allow former presidents to become ex-officio members of the executive committee if they are still active in the business.

The association has four past-presidents and three of them qualify to serve on the executive body.

Audubon Adds to Capital

Capital and surplus of Audubon of Baton Rouge have been increased by a total of $100,000. Addition to capital amounts to $80,000 and brings the total to $530,000. The new surplus as of Dec. 31 will be approximately $800,000, with $20,000 having been added as of Dec. 15.

Travelers Promotes Field Supervisors

Eleven field supervisors of Travelers have been promoted and appointed assistant managers. They are Jack D. Duckworth at Little Rock, and Robert W. Hansen at Kansas City, both casualty, fidelity and surety; Jack E. Harrison at Sacramento, William G. Winslow Jr. at Bridgeport, Conn., Frank E. Walton at Orlando, Fla., Peter W. Popenoe at Kansas City, James B. Markey at St. Louis, Kenneth W. Soule at Albany, Warren M. Hummel at Seaford, L.I., T. H. Walker at Providence, and Robert L. Berry at Nashville, all fire and marine.

Raymond J. Chatfield, who has been special assistant, boiler and machinery lines, has been appointed assistant manager, indemnity lines, at the John street, New York City, office.

The company has appointed the following six field supervisors. George S. McKenna at Hartford, Melvin L. Allen at Chicago and James A. Ranson at Toronto, all fidelity and surety; Fred A. Sommers Jr. at Houston, casualty, fidelity and surety, and Keith E. Sandrock at Oakland and Sam W. Obert at St. Louis, fire and marine.

Two fire and marine field supervisors have been transferred, Robert P. Brassel from Dayton to Columbus, and Warren H. Baker from Kansas City to Dayton.

Maxson Joins Peerless Casualty at Pittsburgh

Charles S. Maxson has joined Peerless Casualty as manager of its new Pittsburgh branch at 309 Ross street.

Ralph A. Rohrich, who represented Peerless at Pittsburgh for many years, will continue as an agent of the company.

Mr. Maxson has more than 25 years of insurance experience and has been district manager for American Surety in the Toledo and central Ohio areas and surety division manager for Continental Casualty at Pittsburgh.

Md. CPCU Elects Griffin President

Maryland chapter of CPCU has elected James A. Griffin Jr. of the Ford-Griffin agency, president, Elmer J. Rhody of the Louis A. Gordon agency, vice-president, Richard C. Sleeper of Insurance Buyer's Council, secretary, and Robert M. Engle of U.S.F.&G., treasurer, all of Baltimore.

Directors are Craven P. Pearson of North America, Philip J. Dubey Jr. of Travelers and Terence R. Blackwood of Hartford Accident.

Boston Increases Its Dividend by 5 Cents

Boston has increased its rate of quarterly dividend from 40 to 45 cents. The current dividend is payable Jan. 3 to holders of record Dec. 19.

King County Party Jan. 10

King County (Wash.) Insurance Assn. will have its annual meeting and banquet Jan. 10 at the Olympic Hotel, Seattle. Because of the growth in membership, the meeting will be limited to member agents and brokers, their personnel and invited public officials. For the first time the field men and company representatives will not be attending.

Insurance Women of New Jersey will sponsor a general insurance course covering fire, casualty and inland marine from Jan. 3 through April at the American Automobile home office in Newark.

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Convention Dates

Jan. 9, International Federation of Commercial Travelers, midyear, Edgewater Beach hotel, Chicago.

Feb. 21, Fire Department Instructors conference, Memphis.

Feb. 22-24, Michigan Assn. of Insurance Agents, midyear, Sheraton-Cadillac hotel Detroit.

March 5-7, National Assn. of Surety Bond Producers, annual, Roosevelt hotel, New Orleans.

March 7-8, Fire Underwriters Assn. of the Pacific, annual, Sheraton-Palace hotel, San Francisco.

March 9-10, State Mutual Agents Assn. of Pa., annual, Ben Franklin hotel, Philadelphia.

March 9-10, Tri State Assn. of Mutual Insurance Agents, annual, Ben Franklin hotel, Philadelphia.

March 22-24, Texas Assn. of Mutual Insurance Agents, spring meeting, Austin.

March 23-24, Assn. of Insurance Attorneys, annual, Atlanta, Ga.

March 26-27, Far West Agents conference, annual, Sheraton-Palace hotel, San Francisco.

April 3-4, Virginia-D.C. Assn. of Mutual Insurance Agents, annual, Homestead, Hot Springs, W. Va.

April 4, Chicago Insurance Day, Palmer House

April 5-7, Southern Agents Conference, Francis Marion hotel, Charleston, S. C.

April 8-10, National Assn. of Insurance Agents, midwest territorial conference, St. Paul.

April 8-10, Mutual Agents Assn. of New York, annual, Hotel Syracuse, Syracuse.

April 13-14, Colorado Insurors Assn., annual, Broadmoor hotel, Colorado Springs.

April 13-14, Rocky Mountain Territorial Conference, Broadmoor hotel, Colorado Springs.

April 15-17, Mississippi Assn. of Mutual Insurance Agents, annual, Vicksburg hotel, Vicksburg.

April 16, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore hotel, Providence.

April 16-17, Iowa Assn. of Mutual Insurance Agents, annual, Hotel Savery, Des Moines.

April 22-25, Eastern Agents Conference, annual, Hotel Statler, Hartford.

April 23-25, National Assn. of Insurance Agents, midyear, Hotel Statler, Hartford.

April 30-May 2, Chamber of Commerce of the U.S., annual, Washington, D. C.

April 30-May 2, Iowa Assn. of Insurance Agents, annual, Hotel Savery, Des Moines.

May 3-5, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 3-5, National Assn. of Independent Insurance Adjusters, annual, San Souci hotel, Miami Beach.

May 6-8, Florida Assn. of Mutual Insurance Agents, annual, The Colonnades, Riviera Beach.

May 6-8, Alabama Assn. of Insurance Agents, annual, Whitley hotel, Montgomery.

May 7-8, New York Assn. of Insurance Agents, annual, Syracuse.

May 7-9, Board of Fire Underwriters of the Pacific, Santa Barbara Biltmore hotel, Santa Barbara.

May 9-11, American Management Assn., insurance conference, Roosevelt hotel, New [illegible]

May 10, Surety Assn. of America, annual, New York.

May 10-12, Florida Assn. of Insurance Agents, annual, George Washington hotel, Jacksonville.

May 13-16, H&A Underwriters Conference, annual, Hotel Statler, Boston.

May 14, National Bureau of Casualty Underwriters, annual, New York.

May 14-15, Kentucky Assn. of Insurance Agents, Western District, Kenlake State Park, Hardin.

May 14-15, Oklahoma Assn. of Insurance Agents, annual, Mayo hotel, Tulsa.

May 16-18, National Assn. of Insurance Brokers, Boston.

May 17-19, North Carolina Assn. of Insurance Agents, annual, Hotel Carolina, Pinehurst.

May 17-19, Texas Assn. of Insurance Agents, annual, San Antonio.

May 17-19, Arkansas Assn. of Insurance Agents, Arlington hotel, Hot Springs.

May 20-22, Insurance Accounting & Statistical Assn., Hotel New Yorker, New York.

May 20-23, Inland Marine Underwriters Assn., annual, Shawnee Inn, Shawnee, Pa.

May 20-23, Inland Marine Insurance Bureau, annual, Shawnee Inn, Shawnee, Pa.

May 21-22, Kentucky Assn. of Insurance Agents, Eastern District, Cumberland Falls State Park, Corbin.

May 21-23, American Assn. of Managing General Agents, annual, Shamrock hotel, Houston.

May 23, Midwestern Independent Statistical Service, annual, Bismarck hotel, Chicago.

May 23, National Automobile Underwriters Assn., annual, Roosevelt hotel, New York.

May 23-25, Georgia Assn. of Insurance Agents, annual, Oglethorpe hotel, Savannah.

May 24, National Board of Fire Underwriters, annual, Hotel Commodore, New York.

May 27-30, Virginia Assn. of Insurance Agents, annual, Hotel Chamberlain, Ft. Monroe-Old Point Comfort.

May 28-29, Georgia Assn. of Mutual Insurance Agents, annual, King & Prince hotel, St. Simons Island, Ga.

May 28-June 1, National Assn. of Insurance Commissioners, annual, Jefferson hotel, St. Louis.

June 3-5, Tennessee Assn. of Mutual Insurance Agents, annual, Lookout Mountain hotel, Lookout Mountain.

June 4-6, Conference of Mutual Casualty Companies, management meeting, Lake Delavan, Wis.

June 4-8, National Fire Protection Assn., annual, Boston.

June 10-12, Maryland Assn. of Insurance Agents, midyear, Commander hotel, Ocean City.

June 10-12, Insurance Advertising Conference, annual, Skytop Lodge, Skytop, Pa.

Service Guide

Fire and Casualty Insurance

COMMENTS - TRENDS - OBSERVATIONS

Chicago Conference Studies Methods to Control Rising Burglary Losses

More than 160 burglary underwriters and inspectors got together recently in Chicago with several experts for burglar alarm companies to study steps and measures for keeping ahead of the menacing night crooks who, with brace, bit and flashlight, have done so alarmingly well in raising the burglary rate to a new peak.

Joseph E. Cunningham, AFP Co., Chicago, technical advisor and principal instructor at the four day conference, pointed out that burglaries during the first six months of 1955 were an estimated 13% ahead of 1954 throughout the nation and up by 33% in Chicago, New York and Los Angeles.

Some insurance companies, Mr. Cunningham said, have paid as high as 135% of their premium for burglary losses. However, he explained that this loss percentage does not distinguish between unprotected premises and those protected by burglar alarm systems.

The conference, sponsored by Chicago Burglary Underwriters Assn., dealt almost exclusively with determining effective use of burglar alarms and other protective devices, and featured besides Mr. Cunningham several other speakers from the alarm business.

"We feel," Mr. Cunningham said, "that with closer cooperation among the insurance companies, their inspection departments, the insurance underwriter and the Underwriters Laboratories-approved burglar alarm companies, much can be done to combat the terrific increase in burglary losses."

The conference was considered to be the first of its kind ever held by a burglary underwriters association and the unusually large attendance of 160 was at least 50% higher than was anticipated. The four days of talks and demonstrations were divided into two sessions of two days each. About 83 Chicago burglary underwriters and inspectors attended the first session and 79 the other. The first division met on a Monday and Wednesday in the classroom of Chicago Fire Insurance Patrol's station No. 5, on the near north side. The second division met at the same place on Tuesday and Thursday.

George Schramm, president of Chicago Burglary Underwriters Assn., said this first conference "went off so well and received so many fine comments that it is being considered as an annual event." He said it also received favorable comment nationally. It is expected that burglary underwriters and inspectors in other major U.S. cities may develop similar conferences. Big eastern companies were especially eager to have burglary underwriters and inspectors from their Chicago branches at the informative meeting.

Donald Pillsbury, in charge of the burglary department of National Bureau of Casualty Underwriters, attended the Chicago session and hailed it as a step in the right direction. He said he felt for a long time that the burglary loss situation could be improved if more company representatives and alarm company people would get together.

Herbert B. Michael, burglary division, Underwriters Laboratories Inc., Northbrook, Ill., also attended the conference. All agreed that some kind of education for burglary inspectors is needed.

Mr. Cunningham explained that Chicago burglary underwriters are willing to let the specifications on grade A-3 alarm systems stand as they are for both local bell alarm systems and central stations systems, but they also feel, he said, that the tremendous increase in Chicago burglaries requires stronger recommendations by the burglary inspectors, which go beyond the minimum grade A-3 requirements of the Underwriters Laboratories.

"You see gentlemen," he said, "if the grade A-3 alarm system (which requires that all first floor openings larger than 96 square inches be protected) is not strong enough to meet this terrific increase in burglary losses, it's up to you on your original surveys to recommend the proper protection for each risk.

"It is a very simple matter," he said, "for an inspector to make a survey of a premises and recommend a grade A-3 local or central station alarm system, a deadlock on the front door and a steel plate on the rear door and let it go at that.

"But after a loss through an unprotected wall or ceiling or some other unprotected portion of the premises, it's too late to recommend additional protection."

Mr. Cunningham said that Chicago burglar alarm companies, burglary underwriters and Underwriters Laboratories have decided that in the future the inspector will make the recommendations for additional protection to his underwriter who will forward a letter to the broker and the insured, stating plainly just what is wanted in the way of additional protection above the protection specified on an Underwriters Laboratories-approved A-3 certificated alarm system.

"Another thing for an inspector to remember," Mr. Cunningham said, "is that the insured is only installing a certificated alarm system because the insurance company insists on it. The insured doesn't care if he gets a cigar box with a string for him to pull to set the alarm system so long as he gets that certificate to give his insurance company and get his insurance. He will call every alarm company listed in the (Chicago) Red Book to try to get the protective system as cheaply as possible. And with a system like that, if the inspector recommends a No. 3 certificated alarm system, that's all he's going to get.

"If an insurer sends me to bid on an alarm system, and I figure the job at $195, which would include two floor traps, buttons or other interior protection, wired bulkheads under the show windows and a vibration detector on a weak wall, and a competitive alarm company comes in and bids $100 for a grade A-3 installation less the added protection, who do you think will get the job?"

Mr. Cunningham warned that the insurer is the loser on a deal like this in the long run and urged the inspectors to be specific in enumerating their recommendations for protection needed beyond the minimum requirements of the grade A-3 alarm system.

He also explained that Underwriters Laboratories has made a special study of burglary attempts on certificated alarm systems in Chicago for the first 10 months of 1954, with special emphasis on 52 "crash and run" burgaries on doors, with losses being sustained in 88% of these cases.

In this same period, there was a total of 414 attempts on the approximate 4,100 mercantile properties in Chicago having central station and local alarm systems. Thus, about one out of every 8.3 alarm protected properties in Chicago were targets for burglars in 1954, a rate about 2½ times greater than the national average.

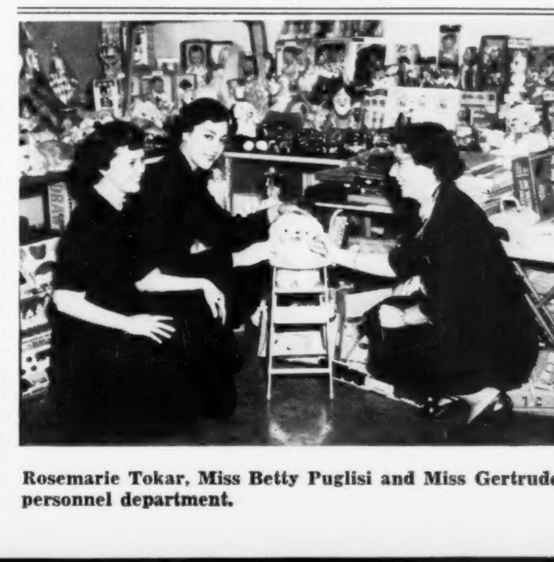
The leading targets in their order of frequency were: Men's clothing, jewelry, ladies clothing, tobacco, radio and TV appliances, cameras, liquors, furs, tools and super markets.

Mr. Cunningham told how Chicago's bold and skillful burglars crash alarm systems and make off with loot before the police or guard have time to respond, which averages a little over 5 minutes.

As a result Underwriters Laboratories recommends extra precautions be taken in the top 10 target risks, including: Valuable merchandise be stored in vaults and safes under complete alarm protection; supplementary steel plate be used for interior

(CONTINUED ON PAGE 18)

Present at the first annual conference for Chicago burglary underwriters and inspectors are, from left: George Schramm, Fidelity & Deposit, president of Chicago Burglary Underwriters Assn.; Chief Frank McAuliffe of Chicago Fire Patrol; George Saunders, Underwriters Laboratories, Northbrook, Ill.; A. W. Fruh of the A. W. Fruh Co., one of the largest burglar alarm companies in the midwest, and Joseph Cunningham, AFP Co., another Chicago alarm company.



Herewith are shown some of the toys, dolls and games contributed by employes of the home office of America Fore group to children in Beekman Downtown hospital in New York City. The toys were distributed at the hospital's annual Christmas party. Former children patients as well as present ones received toys. Pictured, from the left, are Mrs. Rosemarie Tokar, Miss Betty Puglisi and Miss Gertrude Enders of the group's personnel department.

EDITORIAL COMMENT

10 Check Points for Good Communication

Communication has become the No. 1 problem of mangement today, as American Mangement Assn. pointed out in a recent issue of its *Management Review*. Communication is the most vital management tool. AMA, from material originally prepared for use in its executives' communications course, selects the 10 most important points a manager must consider in communicating with employes and the public.

The 10 points are: Seek to clarify ideas before communicating. Examine the true purpose of each communication. Consider the total physical and human setting before communicating. Consult others, where appropriate, in planning communication. Be mindful of the overtones as well as the basic content of the message.

Also, take the opportunity, when it arises, to convey something of help or value to the receiver. Follow up the communication to determine if the true meaning and intent has been expressed. Communicate for tomorrow as well as today. Be sure the actions support the communications. Seek not only to be understood but to understand—be a good listener.

The first step in effective communication is systematic analysis of the idea. The goals and attitudes of those who will receive and be affected by the communication must be considered. Don't try to accomplish too much—the sharper the focus of the message, the greater the chance of its success.

Communication must be adapted to its environment. The speaker must consider the circumstances under which he makes an announcement or renders a decision—physical setting and the social climate that pervades work relationships.

The choice of language, particularly the words which have fine shades of meaning and emotion, often predetermine the reactions of the audience. Tone of voice, facial expression and the receptiveness of the speaker to the responses of others frequently affect a listener's reaction even more than the basic content of the message. The manager should get into the habit of looking at things from the other person's point of view.

Communications may be aimed primarily at meeting the demands of an immediate situation, but they must be planned with the past in mind and be consistent with long-range interests and goals. It is not easy to communicate frankly on such matters as poor performance or the short-comings of a loyal subordinate, but postponing disagreeable communications makes them more disagreeable in the long run.

Listening is one of the most important, most difficult and most neglected skills in communication. It demands concentration on the explicit and implicit meanings another person is expressing, on unspoken works, and on undertones that may be far more significant than the words themselves. However, in the final analysis, the most persuasive kind of communication is not what is said but what is done. When a man's actions or attitudes contradict his words, what he has said is discounted. Good supervisory practices—clear assignment of responsibility and authority, fair rewards for effort, and sound policy enforcement serve to communicate more than all the gifts of oratory and palaver.

PERSONALS

John Glendening, newly-elected president of Eastern Underwriters Assn., has been in insurance since 1910 and presently is vice-president and secretary of Home. He began his career with Franklin Fire in Philadelphia as an office boy, became assistant manager of that company in 1925 and assistant secretary in 1928. He went with Home group in Philadelphia in 1929, returned to Franklin Fire and became secretary and later vice-president. He was named vice-president of Home in 1940.

John Glendening

A group of associates of **William E. Hill**, secretary of General Adjustment Bureau, honored him at a dinner in New York City on his coming retirement. Kenneth E. Black, president of Home and of GAB, presented him a watch commemorating his 25th anniversary with the bureau.

P. M. Winchester, general manager of GAB, was toastmaster. He introduced Milton B. Ignatius, Harry J. Boyle, James F. Miazza, Raymond H. Sifrit, and Alan Bolles, all of GAB, who paid tribute to Mr. Hill. Eli Berger presented Mr. Hill a service scroll on behalf of the Silver Guard, 25-year service group of GAB. Roy G. Bachman gave him a gift from his associates.

Mr. Hill will continue to live at Rumson, N.J., where he plans to devote much of his time to his grandchildren, golf, and his hobby of collecting data on Hudson valley artists.

Roy Duffus of Rochester, past-president of New York State Assn. of Insurance Agents, is recuperating from a second heart attack.

Condition of **H. Herbert Corson**, local agent at Nashville and past president of Tennessee Assn. of Insurance Agents, is reported unfavorable at a local hospital where he was carried from his home suffering from a pistol wound under the heart. The bullet entered beneath the heart and passed entirely through the body. Following an investigation, Attorney General Loser reported that he "could not say whether or not the wound was self inflicted." Although his condition is critical, Mr. Corson is expected to survive. He has just completed a term as president of Nashville Chamber of Commerce.

He also served as state national director to NAIA from Tennessee.

Arthur S. Johnson, vice-president of American Mutual Liability, and **G. L. Kerr**, vice-president of America Fore, were honored in New York by American Standards Assn. for "leadership in advancing the development and use of voluntary standards as instruments of free enterprise." James L. Cranwell, president of the association and vice-president of Pennsylvania Railroad, presented scrolls.

Miss Lydia C. Selby, treasurer, vice-president and director of Appleton & Cox, New York, is retiring after 37 years with the organization.

Frank P. Morris was honored by Loss Executives Assn. on his 60th anniversary with Great American at a meeting at Drug and Chemical Club, New York City. E. C. Niver, secretary of New York Board, spoke. Grant Bulkley, president of the association, was toastmaster.

DEATHS

MRS. MARIE DUSELLE LILLY, wife of George W. Lilly, executive vice-president of General Adjustment Bureau, died suddenly at the Lilly home in Bronxville, N. Y.

BERNARD J. WEISGERBER, special agent in West Virginia of North British, died in Wheeling, W. Va. He joined the company in 1928 after serving with West Virginia Inspection Bureau. He retired in May. He was a past president of West Virginia Fire Underwriters Assn. and a past secretary of Virginia Field Club.

JAMES H. CAMPBELL, 90, retired field man of Hartford Fire in Maine, died at Portland. He retired in 1947 after 62 years in insurance. He entered the business in his father's local agency at Hillsboro, N.H., later went with New Hampshire Fire, in 1898 joined Continental as a special agent in Maine, New Hampshire and Vermont and went with Hartford Fire in 1909. He was the latter company's general agent in Maine many years.

GUY L. STUMP, 56, executive secretary of Farmers Mutual of Huntington, Ind., died at his home in Warren, Ind., of a heart attack.

ROBERT M. HERIGES Jr., 65, Nashville agent for 30 years, died following a heart attack in his office. A son, Robert III, is a partner in the agency.

WALTER D. THOMPSON, 84, manager at St. Louis for U.S. Casualty from 1900 to 1954, died at Lutheran hospital there. He had been confined to a wheel chair for the past seven years and conducted business by telephone until last year.

MEYER BRODY, 77, chairman of National Travelers of Des Moines, died of a heart condition at his home. He had been a director of the company since 1923.

RICHARD CLIFTON, 85, local agent at Sutherland, Ia., died at Sioux Valley hospital, Cherokee, from a cerebral concussion suffered in a fall at his home.

ROBERT R. DuBOIS, 58, local agent at University City, Mo., died of a heart attack while making a business call. He had been in the insurance business in St. Louis and suburbs for more than 25 years.

WILLIAM E. JENSEN, 53, assistant secretary of Firemen's of Newark, died at Orange, N. J., memorial hospital.

PAUL A. ROTH, 60, general and special agent at St. Louis for London Guarantee until 1948, died of a heart attack at Burlingame, Cal., where he had lived for several years.

HAROLD E. PEARCE, 72, retired manager of the marine department of Fireman's Fund, died at his home in Seattle. He was a past-president of Board of Marine Underwriters of Seattle.

G. M. WRIGHT, local agent at Sebree, Ky., died there. He founded his own agency in 1913 and was president of the Sebree Deposit Bank.

ROY N. HENDERSON, 66, a member of the Henderson agency since 1908, died in his office at Whitewater, Wis. The agency was founded by Mr. Henderson's father in 1898. Mr Henderson's

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BOSTON 11, MASS.—207 Essex St., Rm. 421, Tel. Liberty 2-1402. Roy H. Lang, New England Manager.

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DETROIT 26, MICH.—502 Lafayette Bldg., Tel. Woodward 1-2344. A. J. Edwards, Manager for Indiana and Michigan.

KANSAS CITY 6, MO.—605 Columbia Bank Bldg., Tel. Victor 2-9157. William J. Gessing, Resident Manager.

MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Main 5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N. Y.—99 John Street, Room 1103, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Mitchell 2-1306. John F. McCormick, Resident Manager.

OMAHA 2, NEBR.—610 Keeline Bldg., Tel. Atlantic 3416. Fred L. White, Resident Manager.

PHILADELPHIA 9, PA.—1027 S. Broad St., Room 1127, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

SAN FRANCISCO 4, CAL.—Flatiron Bldg., 544 Market St., Tel. Exbrook 2-3054. A. J. Wheeler, Pacific Coast Manager.

brother, Neil, and his son-in-law, Harold Underwood, are members of the agency staff.

FRANKLIN F. STIGGER, 59, general counsel for Maryland Casualty, died at Indianapolis. He was formerly a resident of Louisville, Ky.

COL. JEREMIAH McQUADE, 75, agent at Peoria, Ill., died at St. Francis hospital there after a lingering illness. Col. McQuade started his insurance career in Peoria with Callender & Co. and later formed a partnership with Howard Horstman. The partnership was dissolved with Mr. Horstman's death and Col. McQuade returned to Callender & Co. Col. McQuade was much in demand as a speaker and was considered a raconteur of Scottish stories and songs.

N. C. to Hear Proposals For EC, Fire Rate Hikes

Insurance Commissioner Gold of North Carolina has set a public hearing for Jan. 11 on proposals of North Carolina Fire Insurance Rating Bureau for increases in extended coverage and fire rates.

The bureau proposes to increase the EC rate on dwellings and contents by 100% and on other classes by 50%. The bureau also wants a $50 deductible on windstorm losses. The proposed EC increase would total nearly $4 million annually. The proposed hike in fire rates would return to the 25% differential on farm property and would total nearly $1.5 million annually. The bureau also wants increases for straight windstorm and hail coverage.

H. W. Shaw Promoted by Springfield F.&M. Group

Herbert W. Shaw Jr. has been named superintendent of eastern department fire underwriting for Springfield F.&M. group.

Before joining Springfield F.&M. in September, he was an engineer with a large agency and with Factory Association.

STOCKS

By H. W. Cornelius Bacon, Whipple & Co 135 S. LaSalle St., Chicago, Dec. 27, 1955.

	Bid	Asked
Aetna Casualty	140	145
Aetna Fire	68½	70
Aetna Life	212	216
Agricultural	40	41
American Equitable	38	39
American Auto	25¾	26¾
American, (N.J.)	32½	33½
American Motorists	15	16
American Surety	104	107
Boston	41	42
Camden Fire	27	28
Continental Casualty	113	115
Crum & Forster com.	67½	69½
Federal	36	37
Fire Association	65¾	66½
Fireman's Fund	67	68½
Firemen's, (N.J.)	40	41
General Reinsurance	49	50½
Glens Falls	68½	70
Globe & Republic	23	24
Great American Fire	40	41¼
Hartford Fire	160	163
Hanover Fire	46½	47½
Home (N.Y.)	49½	51
Ins. Co. of No. America	109	111
Maryland Casualty	364	374
Mass. Bonding	46	47
National Casualty	55	Bid
National Fire	126	132
National Union	45½	46½
New Amsterdam	55	56½
New Hampshire	44	46
North River	44½	45½
Ohio Casualty	94	97
Phoenix Conn.	92	94
Prov. Wash.	27	28½
St. Paul F. & M.	55	56½
Security, Conn.	53	Bid
Springfield F. & M.	64½	66
Standard Accident	55½	57
Travelers	85½	87
U.S.F.&G.	65½	66½
U. S. Fire	29	30

AIU Names Morris Overseas Inspector

American International Underwriters has appointed Charles S. Morris resident fire inspector and fire prevention engineer for foreign business. His headquarters are in New York.

Mr. Morris started his career with John G. Simmons & Co., oil underwriters, joining AIU in 1948 as fire prevention engineer. He was put in charge of AIU's fire prevention office in Nuremberg, Germany, in 1951. He was loaned to a large middle east insured in 1954 to assist in its fire prevention work.

State Farm Companies Name Tompkins, Morrill

Arthur W. Tompkins Jr. has been elected regional agency vice-president of State Farm Mutual Automobile and Thomas C. Morrill has been elected vice-president of State Farm Fire & Casualty.

Mr. Tompkins joined State Farm in 1949 as a local agent in Oakland, Cal. He has been a regional agency director since Jan. 1, 1955, with headquarters in Bloomington.

Mr. Morrill was elected vice-president of State Farm Mutual in 1952. He joined the company as director of research in 1950.

Two Join Buckeye Union in Liability Department

Cornell H. Anderson and John H. Martin have joined Buckeye Union Casualty in the general liability department.

Mr. Anderson will serve as field auditor in Cleveland and northeastern Ohio. For the past eight years he was with Home Indemnity as an auditor and special agent.

Mr. Martin will travel the six states in which Buckeye Union operates as a special representative. He has been in the local agency business at Columbus for the past three years and had previously been with Buckeye Union.

Mich. Local Boards Elect

Three Michigan local boards have elected officers.

Robert T. Peters of Marquette was named president of Marquette County Assn. of Insurance Agents and James E. Flaa of Ishpeming was named vice-president.

Bernard L. York was named president of Marquette Assn. of Insurance Agents and secretary of the county association. D. M. Pearce was named vice-president of the city association and Alfred J. Chubb was elected secretary.

Mary C. Bricker was named president of Royal Oak Assn. of Insurance agents to succeed Bruce LaFrance. Other new officers are Richard Baker, vice-president, and Garnet H. Hodges, secretary.

Southwest General Adds $700,000 to Surplus

Stockholders of Southwest General of Dallas have added $700,000 in cash to the surplus in anticipation of increased business in 1956.

The company had a good year in 1955, President John A. Steel said, with a satisfactory loss and expense ratio. Written premiums increased nearly 50% over 1954. Although unearned premium reserves have increased almost $1 million, surplus to policyholders is now at a high of $1,650,000.

Tulsa Mutual Agents Elect

Tulsa Assn. of Mutual Insurance Agents has elected Frank Reidy president, Jeff Daniel Jr. vice-president and Martin E. Wyatt secretary.

New directors are John Schellstede, John T. McLemore and Hugh E. Wyatt.

ADT Names Sales Management Aids

American District Telegraph Co. has appointed W. W. Dooley, J. B. Bodley and R. B. Brechbill assistants to L. J. O'Brien who will assume the general sales manager post on Jan. 1.

King Young, former sales promotion director, has been named assistant to the vice-president. Other appointments are J. J. Caffrey, sales promotion manager; W. R. Rohlfing, executive representative, and G. E. Friedli, assistant director of diversification and expansion.

Studies Methods to Control Rising Burglary Losses

(CONTINUED FROM PAGE 15)

protection on weak walls, partitions, ceilings and floors; a combination of central station and local gong alarms be considered in certain isolated sections of the city; and two gongs be recommended where local alarms only are available.

Mr. Cunningham also discussed rear door protection, types of sidewall protection, the technical aspects of the new vibration detector, including its recommended use on brick walls, tile block, gypsum block, plaster and lath, wire lath, and composition board.

A considerable portion of alarms and protective devices on exhibition at the conference were made available by Mr. A. W. Fruh of the A. W. Fruh Co., Chicago, one of the largest alarm companies in the midwest.

Mr. Fruh explained Underwriters Laboratories' rules on model building, No. 2 stockroom alarm, and dead locks and padlocks.

Ralph A. Pomazal of Ever Ready burglar alarm system, Chicago, discussed steel, iron and wire as secondary protection.

Sees Many Changes in Operation Ahead

Insurance will have to make adjustments to establish a suitable position in the potential market forecast for the next 10 to 20 years, Henry E. Stabile, special agent of Royal Exchange group in Massachusetts, told Bristol (Conn.) Assn. of Insurance Agents.

Many of today's forms of coverage will be revised, broadened or become obsolete, he said, and many of today's luxury coverages will become standard forms.

Changes will include more stress on market research, studies of changes in spending habits, property trends, area developments, coverage preference, intra-insurance competition and methods of increasing efficiency and reducing operating costs.

Advertising operations will expand and become more aggressive, he foretold, and the business will take more active steps in informing the public of its contributions towards security.

Company operations will include effective use of automation techniques, will increase branch and service offices and more effectively assist agencies in production, engineering and service.

Agents' sales methods will follow the effects of economic trends and agents will find it more necessary to acquire full knowledge of available and new coverages. They will also have to become more professionalized, he said.

The link between agents and companies will be shortened in matters of determining and sharing methods of policy cost, production and operating expenses. Agency locations will become more flexible, and agents will look with greater interest upon suburban developments for office establishment. The local agent's participation in associations will increase as companies become more dependent on such groups to determine public desires.

To Seek Welfare Fund Registration with U. S.

WASHINGTON—Secretary of Labor Mitchell outlined at a press conference a six-point program of labor legislation the administration will back at the coming session of Congress. This includes legislation requiring federal registration of union welfare funds and pension plans and disclosure of their financing, but leaves to the states supervision of the funds. The administration also will seek liberalization of benefits under the longshoremen's and harborworkers law and legislation for non-occupational disability benefits in District of Columbia.

Toelle Heads N. Y. CPCU Chapter

New York CPCU chapter has elected R. Maynard Toelle of American Foreign Insurance Association president.

Others elected were A. Leslie Leonard of Insurance Society of New York and Robert C. Mahony of J. G. Mahony Co., vice-presidents; George J. Guess Jr. of Griswold & Co., secretary; and Raymond J. Poltronieri of AFIA, treasurer.

New directors are J. George Kaplan of J. George Kaplan & Co., Lawrence J. Walker of Aetna Fire, E. Kenwood Hawley of Fireman's Fund, Leona Seldow, broker, Charles W. Pachner of Frenkel & Co. and Donald D. Pillsbury of National Bureau.

The H. H. Brown & Co., agency of Benton Harbor, Mich., has been taken over by Robert F. Dannaher in association with Rex Sheeley. The agency was put up for sale following the recent accidental death of the former owner, Mrs. Laura Brown Suthard.

Hauschild Retires; Other Sexton Co. Officers Advanced

John H. Hauschild, for 35 years head of the Charles W. Sexton Co. agencies at Minneapolis, St. Paul and Portland, Ore., has retired.


J. H. Hauschild

George W. Harsh, president of the company, since 1945, will succeed Mr. Hauschild as board chairman.

George W. Haerle, executive vice-president, was elected president.

All other officers were relected and Charles L. Hodgman was named a vice-president.

Mr. Hauschild succeeded the founder of the company, Charles W. Sexton, as president in 1920 and was named board chairman in 1945. He will continue his active interest in the company as senior shareholder, a director and member of the executive committee.

Mr. Haerle has been with the company for 33 years and for most of that time headed the Sexton company's Pacific coast office at Portland. He was transferred to Minneapolis in 1952.

Haylon Womelsdorf was named manager at St. Paul to succeed David C. Erck, who resigned. He will assist Charles C. Cook, resident vice-president.

U.S.F.&G. Opening New Lansing Office

U.S.F.&G. is opening a branch office in Lansing, Mich., to supervise the business in the entire state except the counties of Huron, Tuscola, Sanilac, Genesee, Lapeer, St. Clair, Oakland, Macomb, Washtenaw, Lanawee, Monroe, and Wayne. These will continue to be served by the Detroit office, while the upper peninsula will continue to report to Milwaukee.

The manager at Lansing will be Leslie R. Willson, who has been assistant manager at St. Louis. He joined the company in 1929 as an underwriter and was assigned to Charleston, W. Va., as casualty superintendent in 1930. After special agency assignments in various offices for several years, he was promoted to assistant manager at Louisville in 1946. The following year he transferred to St. Louis in a similar capacity.

The Lansing office will be housed in a recently completed building at 608 South Washington avenue.

Boston Names General Agency at Denver

Boston has appointed Interstate Agency of Denver managing general agents. For 10 years Interstate has managed affairs of Old Colony in Colorado, New Mexico and Wyoming.

Hartford Accident Promotes Three Men

Hartford Accident has promoted three men at Bridgeport, Conn.

A. Park Shaw Jr. was named assistant manager, Alexander N. Chernak superintendent of the casualty department, and James A. Coffey office manager.

Mr. Shaw joined the company in 1946 in the home office surety department and transferred to Bridgeport in 1950 as superintendent of the fidelity and surety department. He is past president of the Bridgeport Jaycee organization.

Mr. Chernak started as an underwriter in the company's Bridgeport office in 1950. He is an instructor for casualty insurance and bonds at the University of Bridgeport's evening school.

Mr. Coffey went with the company in 1926 in the home office automobile department where he later became supervising underwriter. Transferred to Bridgeport in 1937 as automobile supervisor, he became superintendent of the casualty department in 1950.

NAMIA Favors All Risk Property Cover

National Assn. of Mutual Insurance Agents want catastrophe and flood insurance. The association's stand was expressed by its special committee on catastrophe insurance at a meeting in Washington, D. C. The committee is composed of Hugh H. Murray Jr. of Raleigh, N.C., Clifford C. Nelson of Yardley, Pa., Augustus W. Preble of New Haven, Henry Duck of Cumberland, Md., and Earl A. Lamb, association president, of New York City.

The committee suggested that insurance against catastrophic loss be included in all property insurance policies. Coverage should be written to include a realistic deductible provision. Adequate waiting periods should be included to prevent the purchase of insurance against impending disaster. Catastrophe coverage of the type contemplated should include nuclear fission, earthquake, windstorm, wave wash, explosion, flood and tidal wave, as well as war damage. Reinsurance capacity should be afforded through a government-created corporation similar to the war damage corporation for those hazards which insurance does not now have available. Some portion of all catastrophic exposures, however, should be assumed by the business.

Asciutto Chosen Head of NYC Surety Managers Group

Surety Managers Assn. of the City of New York elected Joseph R. Asciutto of Employers group president at its annual meeting. He succeeds Harry D. Schmedes of American Surety. Guy E. Conrath of American-Associated group was chosen vice-president and Samuel M. Williams Jr. of Maryland Casualty, secretary.

Fire Insurance Profit Too High, City Charges

Carl Becker, head of the Denver city management office, in a report to Mayor Nicholson, charged that Denver and Colorado homeowners are paying fire insurance premiums that give underwriters an "unusual profit."

Mr. Becker claimed that fire rates are based on a 1939 study which listed deficiencies in fire protection. This study was the result of National Board's last survey of Denver in 1938. He urged establishment of a state board of fire insurance commissioners to regulate and control the activities of all fire companies in the state.

Mr. Becker pointed out that the average loss-to-premium ratio in Colorado is less than 30%.

The report noted that the present rate structure has persisted despite the fact that Denver has materially increased the size of its fire department and in 1955 appropriated twice the amount of money for fire protection as in 1947.

American Auto Group Merges Automobile, Liability Divisions

American Auto and Associated Indemnity have consolidated their home office liability and automobile underwriting divisions under the direction of Vice-president Harry Lees, who was formerly in charge of the liability division. The new division will be known as the casualty division of the underwriting department.

B. J. Widerkehr, former superintendent of the liability division, was elected assistant vice-president and will serve in that capacity in the new division. Other members of the division's administrative staff will include Harry N. Meyer, superintendent, and V. E. Langley and Lucien T. Roy, assistant superintendents.

Mr. Meyer and Mr. Langley held similar positions in the automobile division and Mr. Roy was assistant superintendent of the liability division.

Mr. Lees held administrative posts with National Bureau and U.S.F.&G. before joining American Auto and Associated Indemnity in 1940. He established the companies' liability division and has since been in charge of liability and compensation underwriting.

Mr. Widerkehr joined the companies in 1948 as an underwriter in the liability division, was named assistant superintendent in 1949 and superintendent in 1951. He had been with Liberty Mutual before joining American Auto and Associated Indemnity.

Sweet Joins U.S.F.&G. in Ore.

Charles Sweet, formerly special agent in Oregon for Cimarron, has joined U.S.F.&G. at Portland, Ore., as special agent for casualty and surety lines.

Reinsurance Buyer Ponders Why Surplus Covers Do Not Fulfill Their Purpose

"Unfortunately, over the years, we have turned out a better profit for our reinsurers than for ourselves. That is galling."

This is the comment of an executive of an insurance company who has been over the years a student of reinsurance—from the point of view of the reinsured. He appreciates the value of reinsurance and is not unsympathetic with the desire of the reinsurer to profit and grow along with its primary company customers. The best proof of this is that he bought for 1955 the same covers at substantially the same prices that he purchased for 1954—including windstorm catastrophe.

Because his comments are similar to those of other primary underwriters—perhaps more so this year than before—they are summarized here. His company is small enough so that reinsurance is a necessity, yet it is large enough to have a countrywide spread of business. The distribution of line is typical of much larger insurers and includes fire and casualty.

Perhaps it is natural—certainly it seems to be inevitable—that after the figures are in for a year, the executive of the primary insurer who is responsible for reinsurance should check his own figures, compare them with those of his reinsurers, and (1) wonder why he didn't do better or (2) what it will cost him additionally because his reinsurers lost money on his account.

It is difficult to imagine a situation in which both the reinsurer and reinsured would be entirely content with the results of the reinsurance relationship. There appears to remain the feeling, no matter how mild and friendly, that neither has done quite as well with the reinsurance idea as he might have done if he had been more farsighted, if he had measured the imponderables a little more closely, if he had been able to sense a little more accurately the kind of business he was going to get.

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Yet a great many insurers get along quite well with their reinsurers. They recognize the values in insuring their insurance. They know the reinsurer has to accumulate a little, must grow as the primary insurance market grows. They do not, each year, sharpen their pencils to probe every crevice and cranny in the contract and dig out a few dollars of saving. Reinsurers generally are patient when misfortune and excessive losses hit their customers.

The idea of net retention is to spread the risk, the primary company executive pointed out. But this is a matter of degree. How much should be retained and how much reinsured? The closest and most experienced kind of judgment must be applied for the reinsured to achieve safety and not pay too much for it.

Treaty reinsurance, he said, never has done the job it is intended to do. Its purpose is to level out the loss experience. In practice, it levels out the primary company's experience on the single large loss but the effect on the company's loss ratio is negligible. In his own company, over the years, pro rata reinsurance never has influenced the loss ratio more than 1% and in the majority of years this effect has been to increase the loss ratio by one point—not decrease it. In other words, over the years, the company has a better loss ratio on its gross business than on its net.

An insurer that gets its business from independent agents has little chance to overextend itself. Business is handled by local agents over the country in such a way as to produce a breakup, a spread. It is one of the benefits of the agency system.

Reinsurance should be more like direct insurance as it applies to one risk, he believes. The insurer should be able to stand losses up to a pretty high level in any one year—if it is a bad year. If it is retaining more liability, it is keeping more premium, so that it has a chance to get the losses back the next year and the year after. The device of surplus reinsurance does not change the loss ratio in one year and certainly not in five years.

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His reinsurers, he observed, consistently make five to 10 points net profit, which is better than is done by primary insurers. The principal cause is, of course, the relatively fixed expenses of the reinsurer. With a loss cost that is comparable to that of the primary insurer, the reinsurer can't miss—it is going to make a profit and one of consistently higher percentage. The reinsurer is not willing to take a greater risk than the primary company by paying a commission that will tally with the insurer's expense.

(The executive of another insurer comments that the insurer pays 47 cents in commission and home office expense to put a dollar of business on the books. It gets a 40% commission from the reinsurer. Consequently the insurer is 7 cents behind to start. Even with a contingent, the insurer gets back only a part of the 7 cents. At a 42½ cent commission plus 50% contingent, insurer and reinsurer are both in a position to make a profit.

(This insurer previously reinsured two-thirds of its business; now it reinsures only 20%. The important thing is for the insurer to be in a position to take desirable risks agents give it.)

Of course, the theory is that the insurer can retain much more than it does. But how much? There should be a relation between the size of the company and the risk it assumes but of course the precise proportion is the big problem. Above the amount selected for retention the insurer must have protection from the reinsurer—and should be willing to pay for it.

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This executive has concluded that the best kind of insurance is the one that gives maximum protection for the remote—but serious—contingency. Hospital insurance—not major medical—is the most expensive kind of insurance.

What about doing away with treaty and employing excess with a very high deductible and a high outside limit? Reinsurers, though not all of them, do not like excess as compared with surplus because they will get fewer dollars. This would be the case, of course, if all insurers went to excess—which seems highly unlikely. (One reinsurance executive likes the idea of excess as against surplus because the primary insurer saves expense dollars and the reinsurer, though it gets fewer dollars, can make a larger profit on the excess type of covers.)

Another approach is reciprocal reinsurance, the executive of the insurer said. But it has been his experience that trading reinsurance between the same kind of insurers produces no benefit. The insurer can tell what it gives off but not what it gets back. After long observation of reciprocal reinsurance, he likes better the looks of increasing his retention to a high minimum.

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It would be essential, he thinks, to increase retentions gradually, slowly transferring from a low to a high retention, moving up and away from treaty.

Retentions of ceding companies have increased in recent years, but he does not believe that they have increased to the same degree, in the same proportion, as the volume of premiums and assets.

(It is the belief of some investment people that insurers are over-capitalized for the business they write. They could write more, safely—the New York department's rule of thumb of 2 to 1 for casualty and 1 to 1 for fire, to the contrary. However, seasoned insurance executives think the slow, cautious course is best, that conservative underwriting and plowing much of earnings back into the business has been responsible for the values that today's insurers, and their stock, possess.)

The theory is that the treaty reinsurer should get from the primary company an adverse selection of risks, the primary company executive said. But this no longer holds true. It is not so. Today fire fighting is better, buildings are more fire resistive and less subject to total loss, there is less likelihood of conflagration. It is true that the insurer pays out more in fire losses than in, say, wind, but the fire losses can be estimated more closely than they used to be; they are less subject to violent ups and downs.

Thus the effort continues. Perhaps this reinsurance buyer is on the track which will, if any will, lead to improvement, since his aim is not necessarily to save money but to increase the effective employment of reinsurance by the user.

Catastrophe Cover Will Have to Begin Paying Its Way; U.S. Reinsurers now Writing Half

A more substantial change has occurred in the fire and allied lines catastrophe cover market than many underwriters of primary companies, buyers of the coverage, fully realize. This change involves not only the market where primary insurers must obtain accommodation for the catastrophe cover, though that has undergone a marked change from previous years, but the philosophy of underwriting catastrophe cover has altered.

The huge losses sustained under catastrophe covers as a result of the northeastern windstorm of 1950 jarred the catastrophe market, which at that time was very principally London Lloyds. But the resulting increase in retentions and the higher rates asked by London Lloyds for the cover following 1950 were nothing compared with what has occurred since the hurricanes of 1954.

As to philosophy, both the buyers and sellers of catastrophe coverage are facing the necessity of living with the fact that the purpose of such covers is to prevent undue loss, and not to guarantee underwriting profits. It is simply unrealistic for a company with $1.5 million of premium volume in extended coverage to buy that much catastrophe cover over a retention of less than $100,000 and pay under $50,000 for the accommodation; and then to hit the reinsurer for a total loss and show an annual statement reflecting an underwriting profit of 10 points. The catastrophe cover underwriters now see that they are living with the real thing and not with a word and that they have to be prepared to live with catastrophes if they continue to occur in the form of hurricanes which they certainly have been doing since 1954 closed out. They have become convinced that the catastrophe cover should not come into play until the ceding company begins to hurt. The hypothetical figures given above are typical in pattern if not in amount for a number of primary insurers. The illustrations are numerous—there is a company with $1 million in losses and a $700,000 recovery from reinsurance; result, an underwriting profit. Another company sustained $1,500,000 in losses but recovered $1,100,000 in reinsurance for a net loss of $400,000, and on its entire year's operation it showed an underwriting gain of about $300,000. Another company had $600,000 in losses but recovered $400,000 from reinsurance.

On the other hand, catastrophe reinsurers have been rather gay with the high limits that they have issued for little money.

In the first illustration, it would require 30 years for the reinsurer to recoup its 1954 hurricane loss at the same rate of premium for the cover and at the same retention. Everyone hopes that there will not be as many hurricanes to hit thickly populated and richly propertied areas as has been the case in recent years, but there is no guarantee that they will not continue to occur, and underwriters of catastrophe cover are in no position to continue to run such substantial risks. It is estimated that the catastrophe reinsurers paid substantially more than half of the bill for the storms in the northeast in and since 1950. That is a lot of money, more than $150 million.

The conclusion is inescapable that the primary insurers are going to have

(CONTINUED ON PAGE 34)

EACH HAS ITS DISTINCTIVE USES: BASIC REASONS FOR ITS PURCHASE

The Various Kinds of Reinsurance

By STANLEY J. HIGGINS,
S. J. HIGGINS & CO.,
SAN FRANCISCO

The following discussion of reinsurance was the subject of a talk given by Stanley J. Higgins at the Fire Underwriters Forum, San Francisco. It was directed to the younger underwriters in the fire company offices. Mr. Higgins, a CPCU, is an organizer of northern California CPCU chapter. He has been in insurance since 1932, starting in New York. Later he was with Lumbermens Mutual Casualty at Chicago. He went to the west coast as resident vice-president of Excess Underwriters, and in 1952 opened his own office in San Francisco to handle surplus lines and reinsurance.

Surprising as it may seem, reinsurance is about as old as insurance itself. When we consider a definition of reinsurance as "a method whereby an original insurer distributes its risks by giving off (ceding) the whole or some portion thereof to another insurer, with the object of reducing the amount of its possible loss," it is not so surprising to find the earliest recorded example of reinsurance turning up in a marine transaction back in 1370.

The early transactions of reinsurance were in the form of facultative contracts under which each cover so reinsured was considered on its own merits, just as we place facultative reinsurances in today's market. As the insurance business prospered and increased, this method became burdensome and something better had to be devised. This brought into existence the reinsuring by treaty or agreement, the various methods of which will be handled later and explained individually.

By simple definition, a treaty of reinsurance is merely a contract, or agreement, whereby one company agrees to place, i.e. cede, and another company agrees to accept, i.e. reinsure, certain risks or portions of risks, all according to agreement set forth in the contract or treaty.

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It was not until 1821 that the first known reinsurance treaty was signed and that was in the nature of an agreement between two direct writing companies. There were no known professional reinsurers at that time. It was in 1843 that a professional reinsurance company as such was organized and this was as an independent running mate to its own direct writing owner. This first reinsurer was a German company, followed later, in 1863 by Swiss of Zurich and then in rapid succession by reinsurance companies in Austria, again in Germany, then France, Norway and Denmark, and finally, in 1912, "The First Reinsurance Company of Hartford," Connecticut, the first such reinsurer in the United States, was launched, and that was by a foreign company known as Munich.

The Germans were very aggressive in the matter of forming reinsurance companies and by 1910 there were 33. Because of their intense interest in reinsurance, the Germans were out in front in working out technical details, such as bordereaux methods of reporting cessions, and in the construction and simplicity of their reinsurance treaties, and this condition existed until World War I in 1914. German companies then became enemy aliens and to do business with them was a violation of the "trading with the enemy act." This opened up the field to reinsurers of other countries and was largely responsible for the establishment of domestic reinsurers, so that today, a genuine American reinsurance market exists.

"Why should we reinsure?" Some of the reasons, which by no means are inclusive, are:

1. The policy may be too large in amount because of the company's underwriting practices (net retention), capital and surplus, or premium income.

2. The company may have too much liability in one block, location, or area.

3. Competition.

4. Insured wants only one policy—not a bundle of them.

5. The company underwriter does not wish to be caught on a particularly large risk, preferring to level out his liabilities and average them off.

6. A company may retire from an agency and reinsure the entire account with the new company coming in, rather than run off the liability. This is sometimes referred to as "portfolio" reinsurance.

7. Also, by portfolio reinsurance, a company may increase its surplus account by reinsuring a percentage of its liability and reducing its unearned premium reserve. The surplus account is increased by the amount of commission paid to the ceding company by the reinsurance company for the business it purchases.

8. Again by portfolio reinsurance, a company can get a better spread of risk by exchanging with another direct writing company a certain amount of its business for a like amount to be received. This is especially true, for example where a company on the west coast would exchange with a company on the east coast. This is also referred to as "reciprocity" reinsurance.

The types of reinsurance are facultative, semi-facultative, surplus (first, second, third, etc.), quota share, excess of loss, spread loss; pools, exchanges and clearing houses, and stop loss or excess of loss ratio.

The first type, facultative, is merely an agreement between two companies, one to cede and the other to accept, a given risk. It is arranged by negotiation and neither party is obligated until the transaction is completed or agreed. In other words, the company making the offer is not obligated to do so, and the company accepting the risk is not under obligation to accept. On the other hand, a semi-facultative reinsurance does carry with it an obligation to one of the parties to the

transaction—namely, the company agreeing to accept the reinsurance. Under this form of cover, the company initiating the transaction or making the cession, is under no obligation to do so, but when the offer is made, the receiving company or reinsurer is under obligation to accept. This is also referred to as an "obligatory facultative" contract. It is usually found in general agencies and is used to increase the capacity of the general agency. It is not, however, looked upon with favor by professional reinsurance companies because in many cases it is used only on the larger risks and the treaty does not receive the spread of risk in the general agency necessary to insure a successful underwriting result. On the other hand, some general agencies use such a treaty in the same manner as they do their direct writing companies and cede to it a portion of each risk written. In other words, they give it the same status as if it were a direct writing company.

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In this swift moving age, it is easy to see that to attempt to conduct the insurance business by using only facultative reinsurances would be an utter impossibility. When an underwriter is confronted with more liability than he wishes to retain in his company, he wants to get rid of it as soon as possible. In fact, sometimes he does not know of the liability until long after the risk was effective, and in some cases, his first knowledge is when he is confronted with a loss report on it. Therefore, companies make treaties with professional reinsurers, or with another direct writing company, whereby each undertakes to perform fixed obligations. Such a treaty is usually referred to as a "first surplus treaty" under which the direct writing company is obligated to cede to the reinsurer all such amounts which are in excess of the company's agreed retentions, and the reinsuring company agrees, and is obligated to accept, such liabilities as are ceded to it, up to a limit of one, two, or more of the company's net retentions. Without going into extensive detail, the following are some of the essentials of such a treaty:

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Classes of business and perils to be covered. Territory. Limits to be retained by the company (net retention). Limits to be ceded to the reinsurer (number of lines). Exclusions (target risks). Recitation of when and how a risk attaches.

Also, method of reporting commission rates (flat commission or sliding scale) plus contingent profit. How losses are to be reported and paid. Arbitration clause—for handling disputes or disagreements. Termination or cancellation.

But there are certain basic principles which must be adhered to in mutually obligatory treaties, such as the first surplus, and they are: The treaty is obligatory on both parties. The ceding company must carry a retention against each cession. The treaty is based entirely on mutual trust, and somewhere in the agreement will be found a clause substantially as follows: "It is the intent of this agreement that the reinsurer shall in every case to which this agreement applies follow the fortunes of the ceding company."

It is evident that taking these principles into consideration, the relationship which is created between the parties to the agreement is one based on complete mutual confidence and trust and that is the way it was intended when the top management of the ceding company and the executives of the reinsuring company put their signatures to the contract. In other words, a partnership arrangement came into existence and it is incumbent upon all parties using the agreement to treat it as such. All underwriting decisions as to selection of risk, apportionment of the surplus reinsurance on each risk above the company's net retention (either before or after a loss) and what constitutes a risk, are exclusively in the hands of the ceding company and it is rare indeed that a company having such confidence reposed in it would abuse it, and it is certain that any abuse, coming to the attention of top management, would be dealt with in stern measures.

The best way to explain the operation of this type of treaty is with an example. Suppose the direct writing company received a policy for $60,000. The company's net retention for the class of risk is $5,000. The company has a first surplus treaty of five lines (five net retentions), so it would cede to that treaty $25,000. This leaves a balance of $30,000 to be allocated and since the company also has a second surplus treaty of three lines, an additional $15,000 is laid off under that cover, now leaving a balance of $15,000 to be disposed of. That balance must either be declined and the policy cut to $35,000 or the remaining $15,000 reinsured facultatively with a professional reinsurer, who will usually

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REINSURANCE ON CONTINENT

Compulsory Auto Experience Is Poorer; Uneasy over Storm Cover

By L. TYTENS

Reinsurance is tributary to direct insurance. Whatever hardships befall direct insurance are at once, or within a very short time, reflected in reinsurance.

It is even said, and is being repeated more and more frequently, that reinsurance at times stands in the way of appropriate measures being taken to improve one or another class of business. This is the case with ocean marine business where it is felt that unsatisfactory or unbalanced accounts are written or maintained on the back of reinsurance facilities. R. M. Preston, president of Marine Ins. Co., is reported to have declared to the shareholders of his company:

"One of the dominating factors in our market is the enormous lines subscribed by insurance units of varying strength. I cannot believe that it is healthy for enormous lines to be written by units of the market whose financial resources cannot be compared with the amount of their subscriptions. It is obvious that these lines can only be absorbed with the aid of very extensive reinsurance contracts. Reinsurance is a necessary part of our business, but it would appear as if the use of reinsurance has been overplayed. I may be on dangerous grounds in making this statement, but there have been pointers in the market which show that my criticism may not be unfounded.

"So far as the Marine is concerned, we have taken the view that it is not compatible with our status on the market or with our past record of operations to depart from the acceptance of what I may call 'normal subscriptions.' The Marine is content to rely on its own resources and on purely underwriting knowledge, rather than embark on a reinsurance program which is out of proportion to our own retained line."

When International Chamber of Commerce dealt with discrimination in marine insurance, attention was also drawn to the present day practice in subscribing lines in disproportion with financial standards of the underwriters involved under the protection of reinsurance treaties. Whether it be under compulsion of monopolist tendencies of certain countries, or in accordance with national feeling, it is against every sound underwriting principle to write on purpose an unbalanced account by reason of reinsurance facilities. Very few countries possess within their border the required normal national insurance facilities to cover present day high values that can accumulate on any one location, whether in fire or ocean marine, and in a growing degree in other sections of the business such as third party liability, personal accident, theft and even life. So that when and where the number of companies allowed to operate is restricted under one form or another, every underwriting office must, under the stress of circumstances, rely on reinsurance facilities. This does not prevent competition and worsening of results. In Germany, where almost any risk can be placed within the border of the country and with national companies, Union of Marine Underwriters declared in its report for 1954, that while it was collaborating with shipowners' organizations, rates of premium had a downward tendency owing to cheaper quotations being obtained from abroad.

Third party automobile liability insurance, although compulsory by law on minimum tariff rates, is, it is reported, far from satisfactory. There the difficulty lies in competition between national—and a few foreign—companies. In Italy, where a very large proportion of the business is controlled by national offices, it is stated that reinsurance treaties are unsatisfactory, particularly motor third party liability. It has been stated in the professional press that the additionals collected by the insurers from their

Mr. Tytens, who resides in Duinbergen, Belgium, was in the shipping business from 1907 to 1914. He engaged in marine insurance in London 1915-1918, and was in this field in Belgium in 1918. He conducted reinsurance arbitration for many years in collaboration with former Belgium Prime Minister Pholien. Frederic Sohr, foremost figure in Belgium insurance circles, generally officiated at the arbitration proceedings. Mr. Tytens acted as technical adviser to Belgian insurance companies and then for some years was interested in a London firm of reinsurance brokers. He is now retired from that firm on pension and on a pension from a leading Belgian insurance company. He started contributing to *The Review* of London in 1951. This is his second annual review of reinsurance in Europe for THE NATIONAL UNDERWRITER.

insured, and which are not accounted for with the reinsurers as premium, are quite sufficient to wipe out possible loss on net retention. There has been some debate as to the need of reinsurance on that class of risks. On more than one occasion I myself have expressed the opinion that in a general way liability business of all kinds can be more adequately protected either by an excess of loss treaty or a stop loss treaty or a combination of both.

Where liability business, as is the case in a general way in Europe, even when protected by an excess of loss treaty, is ceded on a quota share basis, the ceding office has to part with other profitable business for the sake of retaining the unneeded reinsurance

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Reinsurers Estimate 1955 Results and Comment on Trends and Developments

THE NATIONAL UNDERWRITER *asked professional reinsurers in the United States to estimate their 1955 premiums and to comment, if they cared to, on the business and the trends and developments in it. The results of this inquiry are presented below. Not all the reinsurers prepared an estimate. It should be emphasized that the estimates are just that and nothing more; they are simply an indication, to point toward what the results will be for the reinsurers in 1955.*

Reinsurance premiums written by American Equity group for 1955 will approximate $2,400,000, compared to $925,000 in 1954, President Joseph Weintraub estimates. This includes only reinsurance and excludes reciprocal exchanges of reinsurance on direct business. These figures also exclude reinsurance on title insurance. The estimate is limited to fire and casualty reinsurance. American Equity group consists of American Title & Ins., Baloise Fire, Equity General, and Swiss National. In September Reliable Fire of Dayton became a member of the group. The estimate does not include any writings of Reliable Fire, nor excess of loss covers which the group wrote for the first time in 1955 under a pooling arrangement with several other companies. The result of this pool was exceptionally satisfactory, but these figures were not included for the purpose of the estimate.

"Reinsurance business continues to be highly competitive," Mr. Weintraub said. "Our underwriting results for 1955 will apparently be the best in a number of years. The great majority of the reinsurance business written by us in 1955 covered fire and allied lines and only a very small part of our 1955 business consisted of casualty treaties."

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M. B. Weber, vice-president of American Motorists, estimates the gross written premium for fire and casualty reinsurance for 1955 will be approximately $2,115,000. This estimate indicates an increase in the reinsurance premium volume compared with 1955.

"In reviewing our 1955 operations," he said, "we find an increase in our participations in fire reinsurance contracts for domestic companies. We interpret this as a desire by domestic insurers to utilize, wherever possible, domestic reinsurance markets rather than markets heretofore used."

Joseph P. Gibson Jr., president of American Mutual Re, comments that "catastrophe rates on extended coverage have reached the point where we wonder whether the companies can afford to pay them indefinitely. In other words, the answer to the extended coverage situation is in the laps of the primary companies and cannot be shifted to reinsurers, who can always charge a rate that they may want, but one which companies cannot afford to pay. We think serious consideration should be given to increasing deductibles. Most property owners will be happy to have protection against the serious losses, meaning those over $100 to $250. A $100 deductible would help a lot."

Mr. Gibson estimates 1955 gross reinsurance premiums of American Mutual Re at $7,200,000, compared with $6,749,189 gross in 1954.

Continental Casualty's reinsurance division in 1954 had net assumed reinsurance written premiums of $6,294,296. The estimate for 1955 for this division is $8,100,000 of net reinsurance assumed written premiums.

Vincent S. McKerrow, vice-president in charge of the division, comments that "the most noteworthy development in the reinsurance market of late has been the very heavy losses suffered by reinsurers and by their clients in the windstorms of 1954. Because of the cumulative effect of windstorm losses most reinsurers must limit their over-all liability in some manner. The natural result would seem to be a severe tightening of terms and a shortage of capacity. While this situation has developed, a remarkable degree of competition still exists in the market for catastrophe windstorm reinsurances largely because of the growing tendency to package pro rate reinsurances and catastrophe reinsurance together in placement with reinsurers."

Guarantee of North America, which specializes in fidelity and surety bond underwriting in this country, estimated 1955 premiums at $1,400,000, compared with $1,088,000 in 1954.

Darrell F. Johnson, U.S. manager

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Reinsurance Premiums Show Modest Increase

(CONTINUED FROM PAGE 1)

of insurers that are selling broader forms at a reduced price. The reinsurers are inclined to be pessimistic, and probably with good cause, since the combination here is a scissors and the reinsurer gets cut along with insurers, when the squeeze tightens enough.

Reinsurers do not regard the classification of the block as a problem; it can be inland marine, or fire; or, if there gets to be enough of it, commercial block. Reinsurers write the customer as an account and it is the over-all result on which contract hinges, and, perhaps, changes.

But not all the experience is good with commercial block in California where it is old and widespread enough to be measured. Some insurers apparently are sorry they got into it. There have been some heavy losses, including the one to a precision instrument manufacturer from sand blowing of a sand-blast operation a block away.

Reinsurers look askance at the reports of insurers who say their loss ratio on the block is 12% or some such fantastic figure. These insurers are simply putting the fire losses from the block in their fire business, reinsurers believe.

The insurers have had difficulty in getting reinsurance for the block writings. Concurrency is a problem. The reinsurer is placed in the position of carrying a heavier burden because there is no doubt but that a considerable amount of block business in a portfolio will "unbalance" it.

Observers hope that current moves, by Pacific Fire Rating Bureau, Inter-Regional Insurance Conference, Transportation Insurance Rating Bureau, New York insurance department, etc., will have a stabilizing influence. Unless there is a redundancy in the fire rate in California, observers say, the rates for block are inadequate. Reinsurers don't object to putting several covers into one, but they can't see where the saving in issuing one policy will justify the rate discounts at which the block is being written.

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Atomic energy is another curiosity to the reinsurers. Its coverage is not likely to become a reinsurance subject. The stock companies are setting up two syndicates, one in Factory Association for property covers including contamination, the other through Assn. of Casualty & Surety Companies, for casualty coverages including bodily injury (liability and workmen's compensation) from contamination. The commitments for assuming risks through these syndicates, however, so far have been on an own account or net basis.

Reinsurers undoubtedly will be asked to assume shares, and London Lloyds may be offered a participation. There would not be, however, lay offs or retrocessions.

Long term developments in the business, the character and strength of which are becoming more apparent, appear to justify the prognostication that there will be fewer small companies in the next 10 years. Reinsurers, for which the small company is always a customer, are watching these developments.

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Competition, the pressure of expense and the need of management will bring about more mergers, which, since World War II, have been very few in the fire and casualty insurance compared with other industries and commercial enterprises.

Homeowners is putting real pressure on the small fire companies that cannot afford to get up the statutory reserves required by the state to write this package. It may cost as much as $125,000 in reserves to write burglary and third party comprehensive personal liability in homeowners. The small mutuals are especially concerned because they rely chiefly on dwelling business to survive. More packaging is expected to take place.

Massachusetts found a way out of the dilemma by permitting the writing of homeowners without requiring the fire insurers to get up more money. Other startes with a number of mutuals include New York, Pennsylvania, Ohio, Iowa, Wisconsin and Minnesota.

The situation of township and county mutuals and assessment companies is not favorable. They had their heyday 50 years ago when they were social as well as business, and could attract interest and support as well as providing the community with an additional rallying point.

Perhaps their greatest difficulty is in their inability to attract young men to the operation of these enterprises. Younger men are not interested; they want a bigger opportunity. Consequently, the mutuals are finding it increasingly difficult to replace management.

The schedule rating of farm business in the midwest has put the rate of stock companies within range of the rates of local mutuals, and stock companies are picking up additional business of this type. This is adding to the plight of the town and county mutuals. Unfortunately, because of the type of structure, they are not in a position to buy out another unit, or two or three, in order to strengthen themselves, and they cannot sell out to any advantage to a stock company. Observers who are watching developments in this field and who are sympathetic with the problems of these insurers believe their numbers are bound to decrease.

The American market is absorbing more of the unusual risks, or those presenting capacity problems, by way of reinsurance than was true a year or two ago. Probably a good deal of this business was heretofore finding its way into the direct excess market. But with primary insurers looking for more premiums, to a greater extent than formerly they are accomodating risks which do not fall into the normal underwriting patterns. There is some reinsurance of this kind available, on a facultative basis, which was not previously the case. Competition has increased in the direct excess market.

Fire-Catastrophe

Fire reinsurance rate competition is increasing. The rate decreases at the insurer level, in combination with commission increases there, have put pressure on reinsurers to increase commissions. Some insurers again are getting into the reinsurance field and those that have been in it are becoming more aggressive. Reinsurers plaintively point out that insurers that get

into reinsurance bury their costs and assess them against other departments, which leaves the professional reinsurer frustrated but realistic enough to recognize that they would do the same thing if they were in the same position. In the struggle for business, however, they can cut rates below what is the profit margin of reinsurers—and are doing it on many accounts.

Fire reinsurance today is on the edge of scratch gravel to survive. Next year is expected to be a year of decision for the professionals: Shall they yield to the pressures and take business at rates with which they can't live outside the red, as they did 1936-1948, or will they stand firm and let those who wish to do so take the business and lose money on it? If there is a choice, it certainly means that volume for the Horatios at the bridge is going to decline.

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Historically, fire reinsurance is a hard business in which to make money. It has been deteriorating in this respect for a couple of years. Fire reinsurers generally lost money in most of the 1940-50 decade; they have shown a profit for the five years 1951-1955, but the profit is less than the loss in the 1940s. Observers think there may be a few points of profit in fire reinsurance for another year for those who hold fast to a sound rate, but they are pessimistic about the year—and years—after that.

Primary insurers are increasing their retentions. This is a natural trend with insurers that are growing. But the ceiling has been moving up with the floor because of rising dollar values. Now, however, the trend is accelerated beyond normal by the leveling off of premiums and the increased competition for them. The latter is not altogether due to the slowdown in dollar and value growth but is due also to the fact insurers have a lot more money to compete with than they had five years ago.

Reinsurers do not believe the long term trend toward lower fire rates can go on indefinitely; eventually insurer fire rates will be too low to live with and will have to start back up—always a tougher climb than going down. Oddly enough, continued big EC losses have had the effect somewhat of putting downward pressure on fire rates. To get anything like enough of an increase on EC, fire rates in some instances have been reduced.

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The slow drift toward excess of loss reinsurance continues. Perhaps half a dozen more insurers of substantial size have gone to this basis in the past 18 months. The small company cannot afford this kind of insurance. Substantial surplus is required because the reinsurer must carry its own unearned premium reserve. The rate is figured on the burning cost rate above a selected loss figure with a loading. The contracts are written for five years and are non-cancellable in that time (though a few contracts contain a clause permitting cancellation at the end of three years, by the ceding company if the loss ratio drops below the minimum, by the reinsurer if the loss ratio exceeds the maximum). Each year the old year is dropped and the new one added to the five.

So far as is known only one U.S. insurer that has gone to excess of loss has returned to surplus after starting it. The attraction is the saving in expense for the insurer. The latter gives up underwriting, practically, except for moral hazard. The cost of reinsurance is less. The reinsurer, though it gets less money, has the chance to make a greater profit.

The danger in the excess of loss is that it is easy to start and almost impossible to stop. Before an insurer goes to it, it must consider the problem of reversing itself, which it probably would have to do if experience went bad in a serious way. Once the business becomes wholly non-underwritten by insurers, the trail back to wholly underwritten is very, very difficult. The insurer that goes off excess must go into the market with a non-underwritten portfolio. Obviously it is there because of bad loss ratio. To a reinsurer to pick up the portfolio is very costly, if one can be found to take it at any price.

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The rising cost of catastrophe reinsurance, the insistence of reinsurers on a substantially heavier retention by the insurer, and the combination of surplus with catastrophe—by the insurer to get catastrophe and by the reinsurer to get surplus—constitute problems which are the most critical for the smaller insurers. The very large companies, though the giant winds and their damage are troubles for them also, do not reinsure, and the medium sized companies that pay a consistently substantial amount for all their reinsurance, do not have to grapple with catastrophe relief and the cost of it as do the smaller insurers.

Some smaller companies are reported to be paying 10% of their premiums for the peril in order to get protection against the wind catastrophe. One New England mutual is said to be paying 12%—and can't afford it.

The basic answer to the problem of catastrophe cover is to get enough money to pay for it. This sounds pretty obvious, but the objective is not simple. The public objects to paying more, and insurance departments are loath to grant realistic rate increases. The insurer would like to take a chance on hurricanes, cyclones, tornadoes and hail storms not occuring as frequently as they have been doing, starting with 1950, and spread its catastrophe cover cost over a longer time; reinsurers can't wait that long—they are a good deal more pessimistic about the storms going somewhere else and about what catastrophe cover is going to cost them.

There are difficulties other than those which can be met by dollars. One is the charging of a high rate in a state quite close to a state where rates are still comparatively low. The framework of state regulation produces border inequities of varying degree, and the business and commissioners need to study and resolve them, perhaps by regional rating. The peril of wind is no respecter of political boundaries.

However, the unpleasant but basic answer to the catastrophe situation is more money. In Massachusetts there has been considerable protest of an increase in rates from 8 to 30 cents, but in Florida insured are and for some years have been paying around $1. In a considerable part of the state there is a $100 deductible. Rates are also a good deal higher in Texas.

Loses are the raw material of which the insurance product is made, and when they occur, the insurers—and reinsurers—need enough money to pay for them. In New England before 1938 it was impossible to sell extended coverage. Yankees pooh-poohed the idea that there could be destructive winds. But they are now aware that

winds can be extremely destructive to a great deal of property and, though public education is slow, they are coming to recognize the dollar value of EC, though it is natural that they should groan at paying more for it.

It is all right to say that catastrophe cover has to pay its way. That is certainly correct. But the reinsurer has a tough problem. How fast is it going to get back what it lost from 1950-1954 inclusive? How fast can the reinsurers who write catastrophe covers get their rates up so that they can withstand the next shocks and at the same time offset some of their past losses? Obviously, they cannot go too rapidly. On the other hand, the hurricanes have been particularly rough on the reinsurers, and they cannot afford to be too slow about it. They do not want to sink the insurers which are their customers, but obviously they have to be realistic to survive—or quit writing the stuff. Thus, as always, between reinsurer and insurer, the enterprise is a joint one and solution to common problems of this magnitude has to be one with which both can live.

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There are suggestions, reasonably practical, that have been made to ease the windstorm problem of the insurer.

Insurers can, in underwriting EC, distribute the business territorially. If an insurer becomes heavily involved with EC in some areas, it is in the same case as if it assumed too much fire liability on one risk.

The insurer could get territorial distribution by reinsuring, and by using quota share to lay off liability in one area. The reinsurer could assume such quota share business if it had a group of companies overloaded with EC in different areas. Under these circumstances the reinsurers could get together a balanced portfolio. So far as it is known, this is not being done.

Insurers certainly can quit writing entire housing developments. Such developments are much more wind catastrophe hazards than they are fire conflagration hazards, and the experience of insurers on them has been occasionally such as to wallop the reinsurer hard. Reinsurers, incidentally, are beginning to watch this kind of concentration. One student of the business even goes so far as to suggest that concentration of property in urban areas may have to be higher rated, for extended coverage.

The primary company can quit paying a contingent on windstorm insurance. The theory of the contingent is to get an improved underwriting selection of risk at the agency level. But the agent can do very very little to improve his EC offerings to an insurer, much less than fire, except perhaps to reduce the number of shore front properties he is placing with the insurer.

But a contingent applicable to EC seems illogical for the purpose of underwriting selection (though it may be all right as a mathematical device to increase the commission to a good agent and thus meet competition).

The primary company cannot afford to pay a contingent on EC unless it uses an artificial loss ratio between the bad years. Otherwise, because of the violent fluctuation in the loss ratio due to hurricanes and the like, it is not economically logical to pay for good loss experience. The agent cannot select his business to avoid windstorm damage, though he may be able to sweeten or lessen the shore front properties he gives to his insurer. But, more important, where fire losses in these times are reasonably predictable, the wind loss is apt to be infrequent but enormous.

Another alleviation is deductible, and more and more insurance men are urging the $100 size. The smaller insurers may have to go to this whether the entire business does or not.

Catastrophe reinsurers naturally are keenly interested in EC deductibles. With the vast number of losses that are experienced in great windstorms over richly propertied areas, an effective deductible means a difference of millions of dollars in the bill they have to pick up.

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The pattern on deductibles is now pretty well established. The optional deductible is introduced in states at the point when losses reach a level at which substantial rate relief is necessary. The rise in EC rates for the optional deductible provides an intermediate step for the public and the insurance department to take. Full cover may be expensive, and a sharp rise from the rate that formerly applied, but the rate for the optional is more reasonable. New areas are getting the optional deductible from time to time, one of the latest being Wisconsin, where it is on file.

The next phase in the deductible pattern comes when a territory that has had the optional gets hit a real wallop by a hurricane, or there is a big increase in wind losses—such as to make it necessary to ask for a very substantial increase in rate. At this point, the mandatory deductible is introduced, with underwriters asking for a rate increase on the mandatory deductible basis of somewhat less than would be the case if the increase were going in either for full cover or for the optional deductible plus the full cover. This happened recently in Pennsylvania, even more recently in New Jersey, and occurred this year also in New Hampshire.

Casualty-Bonds

The rise in casualty claim costs at the excess level apparently is due to the inflationary surge, milder than some of the previous ones that have occurred since 1940, which set in some months ago.

A year or two ago, juries were a little firmer in making awards. Plaintiff attorneys were somewhat more willing to settle than they had been. But there is definitely a hardening on the part of such lawyers. They are harder for insurers to deal with; they are more difficult to negotiate with; they are readier to go to trial on the big cases where they have a good case. Insurers are not winning quite as many cases.

This change is mostly a "feeling" so far. But there is enough evidence to indicate it is a trend. Claims were coming in more heavily to the reinsurer in the last four months of 1955. Experience still is satisfactory, but the movement is in the wrong direction.

Casualty reinsurers are concerned about contract bonds. For the last three years, the professional reinsurers have made no money on them or have gone in the red. In the face of this, a few months ago rates were reduced 20% by Surety Assn. of America. This reduction was promptly met by the independents, to maintain their differential. It will be difficult to get these rates back to a higher level. Reinsurers believe the contract bond business is going to have to live with the lower prices for a long time to

come. The full impact of the 20% reduction will take about two years to feel fully.

Historically, the loss and expense ratio on contract bonds runs 15 points higher than the over-all loss expense ratio of the primary company on all its bond business because the bond account includes miscellaneous bonds on which losses are much lower. Yet the contract bond is and should be a high expense line because it does require the service of experts, as does boiler and machinery coverage.

The reduction in rates certainly is not going to help the loss ratio. Also, the reinsurers believe there will be increased selection against the reinsurance. The primary underwriter will need more premiums, if he is to maintain volume, or even if he is to keep his loss and expense ratio at anything like it has been. Where is he going to get the money—a larger retention, or a more substantial commission from the reinsurer? The tendency is bound to be retention of more of the best bonds net, the reinsurance of more doubtful bonds.

If management wants its contract bond department to maintain its premium volume in face of the 20% rate reduction, the underwriter is going to have to retain more or get more business. He is going to have to take, say, 35% of offerings instea dof 30%.

But the good contract bond underwriter judges whether to commit his company on several factors, of which rate is one of the least influential. He would not take a risk, for example, for $1, which he would not take for 80 cents, even though he would like to have the 20 cents difference, if the other factors were favorable. Theoretically, at least, the contract bond underwriter is not supposed to sustain a loss, since the bond is not insurance but a guarantee. Thus the underwriter who is caught with a faulty contractor on his hands must—again theoretically—assign the situation to failure to get enough information or to assess properly the information he did get.

Thus, aiming at the goal he does, he is not going to relish extending his reach, when his best judgment has gone only so far heretofore. If the underwriter overreaches himself, he is assuming that he can outguess the reinsurer—he keeps more on one bond and less on another.

It would be nice to have a formula for determining how much to take on a contract bond and how much to lay off with the reinsurer. This is, of course, the permanent desire of an underwriter on any line. On a contractor who is active, it is the belief of some underwriters, the insurer's retention should not be $100,000 of this particular contract, but so much as will keep his over-all contract bond liability within, say, $750,000, or whatever he has decided is to be his liability on this class of business.

One reinsurer believes that the retention of the contract bond underwriter has to have some relation to income; it cannot be related solely to liability. The objective, of course, is to keep income closer to outgo, which seems to nudge the contract bond, a "credit guarantee," in the direction of insurance.

Though the contract bond insurer can be expected to reach for more premiums, there is a counteracting influence. With lower rates, experience is apt to be worse, and the insurer's underwriter may feel the need of reinsuring more on this account.

All of the influences in this field, however, point to increased competition and poorer over-all experience. The primary company that gets its bond business from agents is not going to cut down on them in view of the rate reduction and the possibility of increased loss, if the agent's over-all account is good. The primary insurer is in a position similar to that of the reinsurer with a primary company client whose over-all business is profitable to the reinsurer, even though contract bonds are not.

One thing the reinsurer can do, and some are doing it, is, in underwriting contract bonds, accord a good deal of weight to the quality of the claim department of the surety. The reinsurer would like to see excellent claim and underwriting departments, but an important key to results in contract bond underwriting is the quality and quantity of the insurer's contract bond claim division. A good claim department can render invaluable service and save its salaries many times over. If there are not enough claim men, the insurer farms out its contract bond claim work, and the reinsurer picks up this additional expense. This is not the case if the insurer maintains a staff of salaried men in its contract bond claim division.

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The important thing is to get prompt investigation of losses. Often speed will materially reduce the liability. If the claim man can get to the scene before the contractor milks the job, often he can prevent a serious loss, and sometimes prevent loss altogether.

The surety claim man needs to be a specialist; he needs expert judgment to determine whether to keep the contractor going or to cut him off and relet the job.

If it is only a question of money, if the contractor simply has run out of cash but still possesses good morale, is still capable of doing good work and is doing the work in which he is the most skillful, then the claim man knows that he should be kept on the job. The supplying of money is an easy solution to the whole problem.

The good contract bond claim department can save the insurer—and reinsurer—hundreds of thousands of dollars.

Surety claim men are not accountants and engineers, but they need to have accountants and engineers available. If the contractor has a number of jobs, the claim is apt to develop rather than be cured or lessened, if the claim man tries to handle the situation himself rather than getting accounting and engineering help. The engineer, for example, can tell when the contractor is using his superior expertness to "trade" the surety for an improved position.

Naturally the contract bond business worries the insurers principally because most fidelity and surety reinsurance is contract. This is due to the fact that in this field principally there are penalties high enough to get the business into reinsurance.

Another feature of the contract bond business, particularly to the reinsurers, is the time lag, which resembles that in third party liability cases. The reinsurer can get claims two years after the original presentation of it. In addition, the reinsurers have to ride the contract bond to its ultimate conclusion. On general casualty business, the reinsurer can get off and cut off; it can cancel its liability at a certain point. But on fidelity and surety reinsurance, the reinsurer is on till the end; to the conclusion of the case.

The Dow Service commented toward year end that "inasmuch as the flush of new firms entering the construction business long ago reached its peak and they are now either established, or so badly broke they will not be continuing factors, a great amount of newly acquired consciousness can be expected to sober up bidding and pricing practices. There will be fewer contractors seeking work purely on price. There will be more and more asking for a fair price who will be content to take or leave it. Owners will find it tougher and tougher to find a patsy." Dow goes on to say that this will not mean that in 1956 the market will change from buyer's to the seller's advantage, but it does mean that the seller will try much harder to avoid being taken advantage of. The contractor will price fairly in a realistic competitive market but more nearly in line with what the work is worth.

That is an optimistic note. Underwriters are not so sure there is much cause for optimism. There is still a big population of intermediate sized contractors.

Various Kinds of Reinsurance Defined

(CONTINUED FROM PAGE 23)

take the entire amount, or specifically reinsured with other friendly primary companies, perhaps in three or more separate placements.

Now, when the cession of five lines or five net retentions is made to the first surplus treaty, there is a strong possibility that the entire liability is not retained by the professional insurer writing that treaty. Usually, other reinsurers participate for a percentage amount and thus a proportion of the liability is retroceded to those reinsurers under what is known in reinsurance circles as a quota share agreement or share reinsurance.

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Why have two treaties for eight lines instead of one treaty for 10 lines, or even 20 lines? That is a fair and logical question, but experience has proved that such an arrangement is undesirable from the reinsurer's standpoint because it is rare when the full capacity of such a treaty would be used and consequently the reinsurers receive disproportionate exposures. The direct writing company has higher retentions on the preferred classes of business and therefore has relatively lower surplus amounts to cede to their treaty. On the other hand, the net retentions on the poorer classes of business are lower and a greater surplus amount is available for cession to the surplus treaty. Consequently, the amount of premiums received from the better classes of business is thin and is usually not sufficient to pay the losses incurred from the poorer classes where the liability is likely to run high. It is important, therefore, that as much of the better classes of business as possible be ceded into the treaty in order to give the treaty participants a proper share of such business.

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Quota share is a type of treaty rarely used today in fire reinsurance. It is likely to be found only in the case of a new company or a small company, unable to obtain or operate under a surplus form of treaty. It differs from surplus treaties in that the reinsurer agrees to take a fixed percentage of the direct writing company's business, as opposed to the surplus form of treaty under which the direct writing company keeps for its own account such amount as it desires to write on a certain risk and if there is a surplus, or excess over that amount, then passes it on to the first surplus insurer.

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Excess of loss is a type of reinsurance which applies to specific branch or class of a company's business, such as automobile, marine or inland marine. It differs from surplus or quota share reinsurance because there is no sharing of the risks or of the claims between the ceding company and the reinsurer. Excess of loss does not apply to every claim as in share reinsurance. It applies only to those claims which exceed a certain specified amount, known as the company retention. This may be $5,000, $50,000 or even $500,000 because the amount of the retention is fixed by the ceding company according to what the company thinks it can stand as respects each and every loss. When the retention is set or agreed, then the reinsurer agrees to pay the excess of each and every loss above the company retention, up to a certain agreed amount.

For example, a company may decide to retain $10,000 each and every loss and purchase $250,000 excess cover. This would be known as an excess of loss cover of $250,000 excess of $10,000. Under such a cover the company would bear the first $10,000 of loss and then the excess contract would come in for the next $250,000, after which the company would again come in for the remainder should the amount of loss be greater than $260,000. It is usually customary in the writing of these excess of loss contracts for the reinsurer to require the ceding company to participate to the extent of 10% of the excess above the company retention. Therefore, in the example cited above, suppose the loss to be $250,000. The ceding company would bear the first $10,000, leaving a balance of $240,000 to be borne by the reinsurer, of which the ceding company would stand 10% or $24,000, plus the retention of $10,000. Therefore, the loss to the reinsuring company would be $250,000 less $34,000, or $216,000. Another way to state it is to say the reinsuring company pays 90% of the excess of $10,000, subject to the maximum limit under the contract.

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There are of course excess of loss contracts in the fire insurance business, but there, they are considered "catastrophe" or "disaster" or "conflagration" covers. The purpose of this type of reinsurance is to protect the company from serious or unduly large losses or series of losses arising from one occurrence or event, such as the San Francisco fire of 1906. The cost of such reinsurance is usually a fixed percentage of the gross premiums of the company for the perils against which the reinsurance is taken. This type of catastrophe reinsurance is usually carried with an insurer or insurers, different from the treaty reinsurers for obvious reasons. Otherwise, the same reinsurer would be paying not only its proportion of each individual loss, but also the excess of the aggregate of the company's loss over and above the amount agreed upon as the net retention under the catastrophe contract. Since it is customary to carry these excess of loss catastrophe covers in a market different from that in which the surplus treaty is written, it is not unusual for the ceding company to arrange for the excess of loss catastrophe contract to cover also the interest of the reinsurer. When this is done, the reinsurance contract is then known as a reinsurance for common account," and the reinsurer agrees to contribute its proportion of the cost of such contract.

Of course, excesses on top of excesses can be built to reach the desired amount of coverage, and on each succeeding excess layer, the premium charge is correspondingly reduced as the amount of the retention is increased. In the example above, where $250,000 was purchased excess of $10,000 retention, the next excess layer would be excess of a retention of $250,000 and so on as the succeeding layers are built up.

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The contract is written for a term of 12 months and a deposit premium and usually a minimum premium is charged. If the contract is not for "common account," then the premium is based on the company's gross pre-

miums, less returns, less premiums for reinsurance ceded which would inure to the benefit of the catastrophe reinsurers.

These excess of loss or catastrophe covers are what some underwriters call "sleep at night reinsurance." They certainly proved to be such when Edna, Carol and Hazel went on a spree up the east coast. The underwriters of such covers paid heavily and it will be many years before the premiums on the future writings will be sufficient to offset their losses in a single year. Needless to say, rates for catastrophe covers have materially increased and the underwriters or reinsurers have insisted also on higher company retentions. Nevertheless, this type of reinsurance is of extreme importance to the primary companies, and to the professional reinsurers, as well, because they likewise purchase excess of loss reinsurance, and while these losses must be made up in future premiums paid, the impact of the immediate shock is lessened by this type of reinsurance and the loss is spread over a period of years in premium payments instead of being borne by the companies in the year in which it occurred.

Spread loss is a type of reinsurance cover about which much has been written pro and con, and the advantages and disadvantages debated by experts on both sides of the controversy. It is a type of reinsurance where a company picks certain classifications of risk and decides to retain the same amount, or net retention on each risk in that classification. Under such a treaty, the reinsurer agrees to pay all losses which are in excess of the company's net retention, but with a maximum limit, both as to a single loss or catastrophe loss. Here is an example from a spread-loss treaty showing how loss limits are established.

"RETENTION AND LIMIT: The reinsurers shall not be liable hereunder unless or until the company shall have paid or advanced or become liable to pay, on its net retained lines only, by reason of one disaster caused by one or more of the above-mentioned hazards a net loss exceeding-

"A. $7,500 on protected fire resistive and/or sprinklered risks, etc., etc.

"B. $5,000 on unprotected fire resistive and/or sprinklered risks, etc., etc.

"C. $2,500 on unprotected risks other than those in No. 2 above, and protected frame risks."

Then the clause goes on to explain what constitutes "net loss retentions" and to define the reinsurers liability, as follows:

"The above amounts shall be the 'net loss retentions' of the company. In the event of more than one risk being involved in one disaster the net loss retention shall be that of the risk calling for the largest retention.

"The reinsurers shall then be liable only for 90% of the loss so sustained in excess of the net loss retentions named above, each and every disaster, caused by one or more of the above-mentioned hazards. Provided, always that the reinsurer's liability shall never be more than $100,000 in respect of any one disaster as defined herein."

The interesting part of this type of contract is the method of payment. First is found the "loss cost" or "burning cost" for the past five years by taking the total of net earned premiums for the five year period and dividing that into the total of the incurred losses for the same five year period. For simplification, if total premiums were $3 million and incurred losses were $300,000, the loss cost would be 10%, to which is added a loading factor, usually 100/70ths, which makes the rate 14.3%, which is applied against the earned premiums for the year being accounted for, thus providing the premium for the reinsurance for that period. Since the rate is always calculated after the results for the year are determined, and since the rate is loaded by a factor which includes the reinsurer's profit, this is a pretty fine type of contract for a reinsurer to have, and in fact, it almost, but not quite, amounts to a guaranteed profit agreement. But more about that later.

To get back to the rate. As each new year's experience figures are added to the formula, the oldest year's figures are dropped. So, when an insurer has a bad year of losses under this type of treaty, it receives reimbursement for them in the year in which the losses occur, but it pays for them over the next five years. As each succeeding year's experience is added at the bottom of the figures, the loss experience for the bad year moves upward, but ever so slowly, until it drops out of the formula. But in the interim, those unfortunate figures are used yearly and are thus reflected in the rate paid for the current year's reinsurance, and that's how this treaty form gets its name of "spread loss." Keeping in mind that there is a loading factor for profit which is applied against the loss cost or burning cost, it follows that the higher the losses the greater the profit for the reinsurers. This type of treaty almost amounts to a guaranteed profit cover except where the reinsurer is hit for the maximum loss in the final or fifth year, and the ceding company does not renew the contract for another five year term.

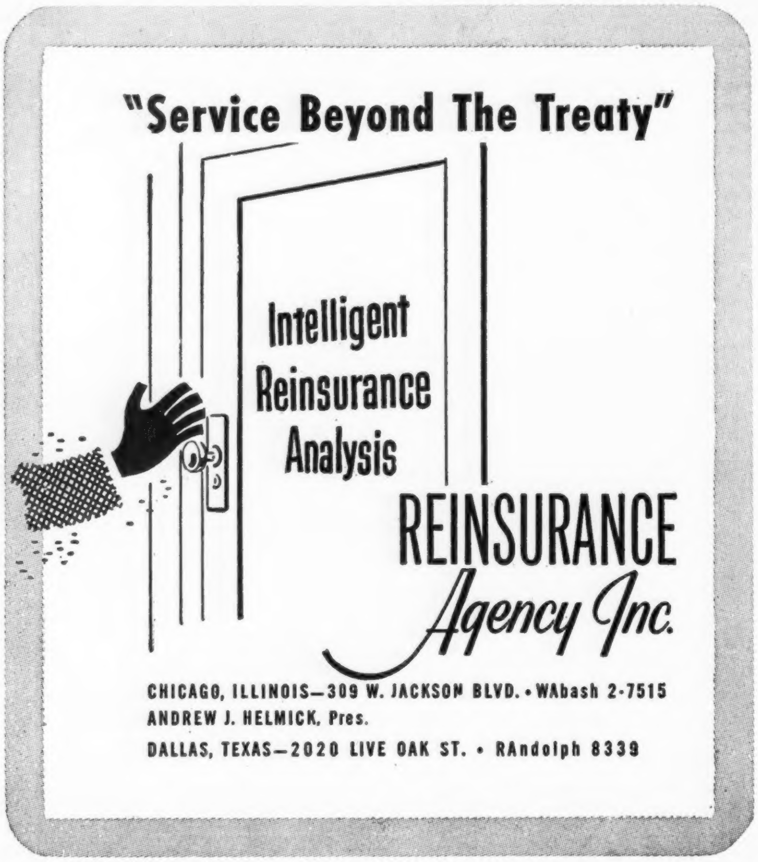
There are a number of advantages and disadvantages to such a treaty and before deciding to switch from pro-rata reinsurance to spread loss reinsurance, a company should weigh carefully a number of factors.

1. How many dollars of expense can be saved by the switch? One of the chief items affecting expense is the relative ease of reporting, i.e., doing away with long bordereaux reports used in pro rata reinsurance. However, to give it the required capacity and to round out its underwriting, the company will usually find it necessary to have pro rata reinsurance, in addition to spread loss.

2. How will the company handle those risks which do not warrant the retentions in the examples of net retentions heretofore cited?

3. What about accomodation business?

4. What effect will such a treaty have upon the underwriting department? The underwriting may become loose, which might occur when the underwriters are not called upon to exercise judgment as to individual risks, because they know that if it falls within a certain classification, the retention is already established for the particular class. Unless the operation of this type of contract is impressed upon and understood by the underwriters, disaster can easily come to the ceding company. An example in point is that of a certain company in which during the war years there had been severe turnover in the underwriting personnel. The new underwriters were not made aware of the specific



operation of the spread loss contract under which they were now writing, as compared with pro rata under which they formerly wrote and the attitude of the company underwriters got to be, "so what? we're reinsured," and they put the business through the books as fast as it came in. But the day of reckoning came and the expense ratio of the company kept rising, almost out of sight, until there was a thorough housecleaning and the new management of the company returned to pro rata reinsurance. But the high expense ratio continued for five long years, and in view of the loading factor for profit, the underwriters of that contract were sorry to see it run off.

There are many spread loss contracts now in force, and the trend has been toward switching over to that type of cover. A great many companies operate successfully under that type of treaty and the questions raised above and the example cited above are merely to explain and are in no sense intended to criticize the cover. How can you criticize a contract, where the ceding company, under given conditions, keeps a greater amount of premiums written, stabilizes its loss curve, and cuts down its expense by eliminating detail work?

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Reinsurance "pools," "exchanges," or "clearing houses" are used principally by fire companies doing substantially the same kind and classes of business, as a means of spreading the risk without loss of premium income. The company members lay off to the central organization a first surplus line equivalent to their own net line and then participate in all the risks so collected together according to a given percentage, based on the amount of premiums they ceded. This works out fine when everyone is giving off good business because the results can only be good. But if one or more members gives off a number of bad risks, the ultimate results are bound to be bad and the remaining members sorely disappointed.

Stop loss or excess loss ratio coverage is specialized cover more frequently used in the case of hail insurance. The company and the reinsurer agree upon a loss ratio percent, say 60, above which the stop loss over is to apply, and then only up to a maximum percent, say 80, when the company again is fully responsible for all the losses. Under this form of treaty, as soon as the company loss ratio exceeds 60 on the class of risk involved, then the reinsurer is responsible for all the losses which occur thereafter until the maximum loss ratio of 80 is reached. Usually the company must participate to the extent of 10% of such losses. This form of excess differs from the excess of loss previously discussed, the distinction being that the former was excess of each claim, while the excess here is excess of the aggregate of all claims making up the loss ratio at which the company stops paying losses and the reinsurer begins.

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Today, there is an adequate market for reinsurance in the United States, supplemented by London Lloyds, who play a large part in the U.S. reinsurance picture. When a certain kind of reinsurance is wanted, to obtain it is a matter of negotiation. For the right price, usually any type of reinsurance cover can be purchased, whether it be an operating cover, such as surplus, excess of loss, spread loss, etc., or a non-operating type, such as the catastrophe cover, and the contract will be a valuable one so long as the reinsurer makes a reasonable profit from it, and the company is satisfied that the price paid is not excessive. The initial negotiation and the future handling and renegotiation of reinsurance treaties calls for specialized knowledge, and up-to-date information about the changing conditions of markets. These contracts may be made directly between the company and the reinsurer, but more frequently, a reinsurance intermediary or broker is engaged to do the job. This is especially true with the smaller companies, where the intermediary's professional knowledge and experience are invaluable to management. The larger companies usually have an officer who is responsible for reinsurance.

Compulsory Auto, Storm Experience Cause Concern

(CONTINUED FROM PAGE 24)

facilities on the liability account. I am not absolutely convinced that when a reinsurer selects his ceding companies, the run off of treaty business on third party risks, mainly motor third party, doesn't have a good chance of being profitable if interest earnings on reserves are brought into account.

Unfavorable comments on Italian fire business also have been made, and the unsatisfactory conditions seem to lie with inadequate rates and non-adaptation of insured values on non-industrial risks.

It is, of course, not my intention to review the conditions applying to all European countries, but those comments are intended to demonstrate that a reinsurer should be acquainted, before entering into reinsurance agreements, with the conditions confronting direct underwriters. And not only are those conditions to be brought into account, but we have also to reckon with restrictions of all kinds. Many countries, either in a spectacular manner through legislation, or by more discreet exchange regulations, try to reduce their spendings abroad on insurance or reinsurance or even through restrictions on operations, within their borders, of foreign underwriters.

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This year, in official reports, Finland and Portugal indicated they had experienced a debit balance on insurance transactions. In a way they should thank their lucky stars that they had not experienced any national calamity or other large loss that would have turned the balance in their favor. It is well known that indemnities paid insured under insurance policies do not always meet in full the material losses. But those are the conditions that prevail and one has the feeling that in many circles it is thought that restrictions on freedom of insurance will bring prosperity to any national insurance industry overnight; stress is put on the opportunity for obtaining reciprocity, and apparently, up to the present at any rate, those expectations often materialize.

This moving state of affairs must have the attention of every underwriter wishing to develop or to maintain a worldwide business either through direct underwriting or through reinsurance. The future will show whether the very frequently unbalanced business from nationally sponsored reinsurance organizations, or even business originating from pools formed by large groups of national companies will turn out to be profitable in the long run. Sound business policy should urge offering reciprocity only after a

few years of steadily profitable results.

While from a strictly legal point of view, in countries where controls exist, the insurance business may operate along sound technical lines, in fact occasionally political considerations may to a certain degree outweigh technical arguments. In France industrial fire tariff rates have been reduced twice, and competition still further cuts down those already low rates. Furthermore, it was shown that third party motor car rates were inadequate. Government authority was obtained to raise those rates, but, in consideration of this, non-industrial fire insurance policies will in the future have to grant coverage against explosion risk without payment of the usual additional premium.

How far those altered conditions will interfere with the result of French ceded business is not known, but I am afraid that the resulting risk of unsatisfactory results on French fire treaty business are very much enhanced.

So here one may ask: What are the prospects for reinsurers on European underwriting? The annual report for 1954 of Gesamtverband der Versicherungswirtschaft—Central Insurance Union—of Bonn, Western Germany, has approximately this to say about German reinsurance business in 1954:

"Fire business: Reinsurance premiums on fire risks have continued to increase in 1954 but as far as can be seen 1955 will show a slowing down of the increase recorded in recent years. The claims record has been satisfactory and in 1955 has a quite good tendency. Extended coverage on North American business, in which German companies have now shared a few years' losses through storm damage have weighed on results and the danger of clashing risks in that connection must be closely watched. The volume of business also has expanded in western Europe in 1954 and the first half of 1956. This applies both to fire and other additional sections, which have shown satisfactory results. Personal accident insurance, of little over-all importance, has shown various results. Third party liability was not satisfactory. Motor third party liability is most unsatisfactory. While insurance of motor cars has improved fairly quickly following imposition of franchises and new tariff rates, the experience in third party liability has still further deteriorated. Measures must be taken to improve results on German motor car business. If not, it shall become impossible to find abroad the required reinsurance facilities. The loss to German reinsurers on the German business has further increased in 1954."

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These considerations may be assumed to give a fairly accurate figure of the business experience of leading reinsurance companies on a worldwide basis, although stress should be put on the fact that German professional reinsurers dispose of a very important volume of home business.

Government controls and regulations are not always generally approved, but anyhow through publicity they make available figures that would not be made public were it not for those controls. I am thinking of French business.

In that country government owned (nationalized) companies transacting fire business only showed an increased volume of premiums of about 5% in 1953 compared with 1952; incoming reinsurance business however has increased by 14% whereas direct premium income rose only by 2%. In 1953 premiums on incoming reinsurance business was about 30% of the total premium income. It is not stated what proportion of this reinsurance business originated from abroad.

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Balances in favor of reinsurers, assumed on direct business, represent a cost of about 7% on direct premium income. The balances on incoming reinsurances are not stated. Over-all profit was 15% in 1953 compared with 10% in 1952. Nationalized companies transacting casualty business only showed an 18.5% increase in volume of premium in 1953, compared with 1952, whereas the increase in 1952 compared with 1951 was 26%.

The increase in 1953 was derived largely from incoming reinsurance treaties (The increase was 15% on direct business and 33% on incoming reinsurance). Balance on business ceded to reinsurers was about 1.9% of the total premium income. Accepted reinsurances are included in the total.

The over-all claims record was about the same as in 1952 (65%) stress being put on third party motor risks where the claims ratio was 70%, and further deterioration being noted. There was a slight increase in commissions paid and investment earnings wiped out the technical loss.

Composite nationalized offices writing casualty, fire and ocean marine showed a profit of about 3.4% on gross premium income. Balances in favor of reinsurers was about 3% on gross premiums against 1% in 1952. The over-all increase in the volume of business was about 17% spread on direct business (15%) and accepted reinsurances (22%). Stress was put on the increase of motor car premiums by about 30% compared with 1952. The claims record improved in all sections, except in fire, where there was a slight increase, but the record in 1953 still was quite low (34%). The three groups of nationalized companies showed a slight decrease in the ratio of overhead expenses.

Apparently French companies, considering the over-all profitable reinsurance business available, are pressing for higher reciprocity. But how much of accepted business originates from abroad is not stated.

By law all companies operating in France are under obligation to cede a fraction of their French business to the government owned Caisse Centrale de Reassurances. The proportion that has to be ceded is fixed annually, but it is not uniform in all sections; e.g., fire risks are ceded in a proportion of 4%. Nationalized companies do not reinsure with this body, unless it be by voluntary agreements.

Caisse Centrale de Reassurances in

(CONTINUED ON PAGE 36)

Catastrophe Cover Must Begin Paying Own Way

(CONTINUED FROM PAGE 21)

to put more money into this kind of reinsurance than they have in the past. There are primary companies, one in five, one in 10, which have been more farsighted than the average insurer—they have seen to it that the reinsurers had a decent income in those years when it was possible for them to come out somewhat ahead. After a couple of good years, these insurers did not start pressing the reinsurer to save pennies in the rate. This sort of company had little or no difficulty in getting catastrophe reinsurance in 1955, some of them without a boost in the retention with which they had been living because that retention was realistic. The insurer with a problem today is the one that bought the catastrophe cover last year and in previous years at too low a figure.

At the time the 1954 hurricanes occurred, London Lloyds still was the primary catastrophe cover market for U.S. insurers. Lloyds had specialized in it for years, they had the capacity to write it, and because they had so much of it beginning with the 1950 storm, then and since then they could be said to have paid much of the dividend that went to stockholders and policyholders for many companies. But that has changed. London Lloyds has reduced its total liability commitments in the U.S. on catastrophe covers, and is asking for more money for the liabilities it is assuming. Lloyds has retrenched. As underwriters, Lloyds brokers are both courageous and intelligent, and American underwriters will admit, though they would like to have the catastrophe protection as it used to be in price and arrangement, that it is only realistic for the Lloyds brokers to do what they have done.

It is estimated today that the U. S. market for catastrophe covers is double what it was a year ago. The pressures which have brought this about have been very considerable and are still being exerted, and it is expected that they will continue to be exerted.

In the past many U.S. reinsurers would take surplus reinsurance business from the ceding company but would send the catastrophe cover to London. Little of the catastrophe liability was carried in this country but when Lloyds began to restrict its facilities, the ceding company had to ask U.S. reinsurers for catastrophe cover if the reinsurer was going to get its surplus business.

Thus, as is always the case when there is a tight market, the package arrangement becomes customary. Actually, of course, there is some logic for a reinsurer—as there is for an insurer—to write and work with an account, rather than taking a line or specializing in one or two lines.

Since catastrophe rates are inadequate, in the face of events reinsurers have had to get pro rata or surplus business in order to make up the deficit on catastrophe.

Thus, the real problem in catastrophe underwriting is not enough money. This is exaggerated by the inability of primary insurers to set up long term reserves, or to permit reinsurers to do so. Basically it comes down to the need of more premium, which, with some kind of tax easement, would serve to relax the market.

It is difficult for reinsurers who have lived on surplus and treaty business generally for many years to come to the writing of catastrophe coverage. There are good reasons for this. In a very real sense, the reinsurer has to reduce its surplus commitments when it enters the catastrophe cover field. Undoubtedly, surplus business is easy and safer to live with; certainly this has been the case in recent years. As a matter of fact, U.S. reinsurers have for the most part used all reasonable means to prevent commitments in catastrophe, even to the extent of liberalizing the commissions for surplus business that is not accompanied by catastrophe. Now that they are taking some of the catastrophe offerings, it is said that they are laying off catastrophe business, though not pro rata, where that is possible, with European and domestic insurers. That probably is only a temporary expedient, at least it is temporary until the time that retrocessionaires are hit by catastrophe.

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It is difficult to see how the domestic reinsurers can put off indefinitely facing up to the catastrophe problem. But in doing so, it has to be admitted that the problem remains almost entirely on the doorstep of the primary company. It is the primary company that has to pay the total, eventually, in any case. It is the primary company that has to get the premiums. The primary company cannot, simply by reinsuring, convert an inadequate into an adequate premium.

What is needed is more *loss* money. The fire companies probably will have to come to a recognition of a higher permissible loss ratio and figure the catastrophe cover in the loss cost. Carrying it back one step further, the primary insurers have to get more money. If they are paying it out in losses, they are entitled to it in rates, and rates will have to go up to where the business can afford to insure and reinsure the big winds of the mid-20th century.

Underwriter of Yore Throbs with Questions of Today

The following verse, obviously written from the heart by an underwriter, was discovered in a 30-year old file of an insurer. It is reproduced here because the kind of mental anguish which it describes is the same sort which the modern underwriter undergoes—it has not changed in character or degree. The author is unknown.

An Examiner's Soliloquy

To cede, or not to cede; that is the question.
Whether 'tis safe in underwriting to chance
Possible criticism of the higher-ups,
Or with one deft stroke of the time stamp
Gracefully pass the buck: To cede; to retain;
No more; and by ceding to say we end
The heartache and the thousand natural shocks
The business is heir to; 'tis a consummation
Devoutly to be wished. To cede; to retain;
To retain; perchance to have a loss: ay, there's the rub;
For the underwriting what losses may come
When we have failed to reinsure
Must give us pause: That's the respect
That makes calamity without reinsurance;
For who would chance the scorns of time,
The agents' whims the special agents' begging,
The pangs of competition, the bad loss record,
The indifferent bureau surveys, and the class
That makes the risk unworthy,
When he himself might make his hide secure
With ample cessions? Why be annoyed,
Why worry and sweat under the weary life
But that the dread of something after loss,
The inevitable total, from whose remains
No salvage comes, puzzles the mind
and makes us rather reinsure our greater holdings
Than take a chance at retaining all?
THUS DO REINSURANCE TREATIES MAKE COWARDS OF US ALL;
And thus the native hue of underwriting
Is sicklied over with the pale cast of cessions,
And risks of great rate and premium
Are turned into other channels
And lose the name of ours.

Hear Attorney at L. A.

LOS ANGELES—"Concurrent and Excess Coverage Problems" were discussed by S. J. Grogan, Los Angeles insurance attorney, at the December meeting of the Insurance Adjusters Assn. of Southern California. He urged the adjusters to be on the alert for duplicate coverages.

Reinsurers Estimate 1955 Results, Discuss Trends

(CONTINUED FROM PAGE 25)

of Guarantee, thinks "that the contract bond classification is still the most difficult classification in the bonding field and will continue so—especially with the low rates now in force by both bureau and non-bureau companies. In my opinion it will be two or three years before we get the full impact of these new lower rates. Companies that always have done a good job of underwriting and those companies that really intend to improve their underwriting standards should make money in the future. It is a mathematical certainty that with the lower contract bond rates in force, higher loss ratios will be recorded by those companies that fail to adjust their underwriting to the new rates in force.

"There is a shortage of experienced bond personnel and unfortunately the bonding companies are not getting their proper share of the graduates from our educational institutions although there has never been a time when there are better opportunities for personnel in our business."

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"In general we would say that the reinsurance business in 1955 will follow the experience of direct writers which from our observation appear to be seeing a leveling off of premium volume," J. A. Munro, head of Munro group, stated. "While our own casualty writings in 1955 have been on a rather limited scale, we believe that both fire and casualty lines will, in general, reflect the same trend.

"From an underwriting standpoint, we believe that, barring unforeseen contingencies from here on out, both the fire and casualty business will have experienced a reasonably profitable year. On the fire side losses have been considerably less than in 1954, largely due to the absence of large scale catastrophe losses such as we felt last year, although the automobile and inland marine classes may have a relatively higher loss experience because of the 1955 floods. The tendency of higher agency commission allowances on the part of direct writing companies will probably also reflect to some degree in the underwriting results of reinsurance companies.

"Our volume will be fairly close to what it was in 1954, namely $10,300,000 and this would also apply to volume by line."

J. W. Pritchett, vice-president of Northwestern Mutual Fire, notes that "most reinsurers agree the reinsurance business has been highly competitive this year. This is especially the situation with pro rata accounts with more reinsurance companies entering the field. There seems to be a trend toward higher commissions and more attractive terms in the sliding scale commission schedules.

"Reinsurance assumed premiums for 1954 were $4,586,000. This did not include our participation in business written through Improved Risk Mutuals. We estimate reinsurance assumed premiums for 1955 will be about $3,800,000. The reason for the decline is that we discontinued our reinsurance contracts for lumber Jan. 1 this year, which account amounted to $785,000 in 1954."

Alfred Dowrie, vice-president of Underwriters Ins. Co., estimates reinsurance assumed premiums for 1955 will total between $900,000 and $1 million.

"This year," he stated, "There seemed to be a considerable increase in the total available reinsurance premiums. However, there also was a great increase in competition for reinsurance business. Not only did reinsurers increase their staffs, but it seemed that there were a considerable number of new reinsurance companies, as well as direct writing companies who decided to add reinsurance to their business. Also to be mentioned as a development in 1955 was the increasing amount of foreign reinsurance being offered to American companies."

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Ferdinand R. Godoy, 1st vice-president of Ultramar Inter-America Corp., New York City, points out that his organization specializes in serving Latin American countries in obtaining reinsurance facilities and, at the same time, has access to the Latin American market for the placement of reinsurance on risks in any of the 21 republics of the Americas, including of course, the U. S.

"The premium volume for such business transacted by us during 1955 will amount to approximately $2,500,000, of which 95.41% corresponds to cessions of Latin American companies and 4.59% to acceptances by them," he stated. "Of the business ceded by the Latin American companies 19.35% has been placed in this country.

"As can be seen, the greater part has been placed in other markets, which fact is more due to necessity than to choice, because even though the American market is gradually becoming more receptive to reinsurance from abroad, it is still quite limited.

"As stated above, progress is being made in the American market towards a more international mind acceptance-wise, and I am sure that this evolution will be considerably accelerated in the next few years.

"In my opinion, the reason why the local reinsurance market has not kept pace with international developments of the other activities of this country is that, even in our own frontiers, the use of reinsurance was considerably retarded. I can remember the time, not too many years ago, when Amercan insurance companies limited their writings to their own net capacities, thus the reason why insured in many instances were burdened with a large number of policies from different companies for only one risk.

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"When making this last comment, I have in mind the fact that reinsurance is a medium par excellence for providing Latin America with a greater amount of dollar exchange. By having the insurance companies of the U. S. purchase protection (reinsurance) from Latin American companies instead of relying solely on the market of other continents as heretofore, dollars are being supplied to your neighbors to the south, without any clash with local interests within the U.S., as is the case in the importation of certain raw materials and manufactured products, and—what is more important—without it representing any drainage of capital, since in reciprocity the U. S. would obtain the corresponding proportion of consistently profitable reinsurance ceded by the companies in Latin America which, up to the present time, has been flowing almost entirely to the markets of other continents which give practically nothing in exchange for the same.

"Said constant outflow of foreign exchange has been the platform on which nationalistic legislation has been enacted in some of the Latin American countries and I firmly believe that the most effective way of preventing further governmental encroachment into the insurance and reinsurance business in our Latin American countries, is by developing on a large scale an exchange of reinsurance between the Americas, which is the commercial objective that my company has had when establishing the Latin American pool, aside from the consequential contribution towards the development of the continental fraternity."

Enrique Godoy, president of Oficinas de Ultramar, S.A., and of Ultrama Inter-America Corp., writes that "as far as the Latin American pool is concerned, I am pleased to give you below the following information in my capacity of president of Oficinas de Ultramar, S.A., Havana, underwriting managers of said pool, which, as you know, was inaugurated in the latter part of 1954, for the reinsurance of risks situated in the U.S. and Canada.

"During its first year of activity—the pool has done business representing an approximate premium volume of $125,000—most of which corresponds to fire and allied lines, since it has only been as from Oct. 1, 1955, that the scope of the pool has been expanded to include all lines of insurance.

"All indications are to the effect that the premium volume of the pool in 1956 will be considerably increased, which trend is most encouraging to us since it confirms the belief that we had when organizing the Latin American pool in that there is a definite place for it in this market, and that it can fulfill a very important role in developing and strengthening the economical ties between the Americas, in line with the policy being stressed by the government of this country."

One reinsurance executive comments that the outstanding feature in the basic fire reinsurance field is the relative novelty of package deals, under which pro rata treaties of traditional forms are only obtained or retained by the reinsurance insurers if they are able and willing to accept a more or less proportionate share of catastrophe covers for the same companies. Such latter acceptances frequently go beyond the absolute or relative ability of the professional reinsurance companies to retain net for own account and while a reasonable success has been achieved in retroceding such business in turn to other insurers, largely abroad, it is a serious question how long these secondary markets would be willing to continue the "gamble" in the face of such new catastrophes that might occur in the

relatively near future in one form or another. In the search for such secondary markets a fair amount of business has been placed with companies that could no longer endure adverse experience of severe degrees and proportions.

"The improved results in the casualty lines evident in 1953 and 1954 appear now to be reversed," another experienced casualty underwriter comments. "We began to feel such developments early in the summer, and the trend at the end of the year is now very definite. Along with this, automobile rate reductions have been in effect during the year. This has been a serious factor in increasing loss ratios because it is already apparent that some further inflation is affecting settlement values.

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"Reinsurance-wise, workmen's compensation business during the year has not been unsatisfactory. This line requires very substantial reserves for incurred and not reported losses as well as for actual cases reported during the year. Even with these reserves carried at what we consider a reasonable basis, our experience has been very good. During the past year, however, benefits have been greatly liberalized in this line. There were a number of rate reductions effected in a majority of states at the begining of the current year and in 1954. Here again we have been feeling this situation in our experience since beginning approximately in August.

"Aggregate reinsurance covers on automobile physical damage have suffered severely in the catastrophe field."

Other estimates are:

Agency Managers Ltd., $3,250,000 gross.

American Agricultural, $400,000, compared with $400,000 in 1954, net written.

American Independent Re, $1 million gross.

American Liberty, $875,000 net, compared with $701,902.

Christiania General, $3,955,000 net, compared with $3,893,571; gross—$7,700,000, compared with $6,166,662.

Constellation, $1 million net, compared with $692,370.

Constitution, $2,300,000 net, compared with $2,288,850.

Employers Re, $20 million net, compared to $17,960,314.

Farmers Mutual Re, $1,700,000 gross.

General Re, $24,900,000 net, compared with $23,721,576.

North America, $24 million to $25 million net, compared with $21 million in 1954.

International, $1,500,000,

Inter-Ocean Re, $7,500,000 net, compared with $6,503,620.

Metropolitan, $3 800,000 net, compared with $3,685,000.

Nordisk Re, $300,000 net compared with $310,783.

Northeastern, $9,187,852 net, compared with $9,764,633.

North Star, $14,500,000 net, compared with $13,622,000.

Northwestern Mutual Fire, $3,800,000.

Reinsurance Corp. of New York, $7,474,800 net, compared with $6,474,814 in 1954.

Sequoia, estimated reinsurance premiums, $100,000.

Excess Mutual Re, $1,689,785.

Security Mutual Casualty, $6,583,800, compared with $6,813,423.

Skandinavia, $2 million net, compared with $1,898,712.

Transatlantic Re, $1,650,000 net compared with $1,746,119.

Compulsory Auto, Storm Experience Cause Concern

(CONTINUED FROM PAGE 33)

1954 had claims paid of about 43% and additional reserves of 18% for a total of 61%, and commissions to ceding companies and profit commission totaled 33%. Retrocessions amounted to slightly more than 6%. Commissions received on retroceded business amounted to 25%. The claims record on retroceded business was about 30% while reserves due by retrocessionaires was about 5.5%, which left, on the face of it, a credit balance of 39.5% on premiums retroceded. The cost of its reinsurance security represented 5.3% on the premium income. From these figures it may be assumed that Caisse Centrale seeks security in excess loss and/or stop loss treaties.

The foregoing applies to that part of the business which is ceded in pursuance with the special law.

But Caisse Centrale transacts business also in accordance with freely negotiated agreements. This second class of business represents about 60% in volume of the preceding class. Here the claims record was about 52% in 1954, while reserves took about 17%. Commissions and profit commissions represented about 30%—the proportion retroceded was about 34% at a cost representing 1.5% on the gross premiums involved.

I have further added up figures published in balance sheets of about 30 important French offices, including only one nationalized company. The volume of premiums ceded to reinsurers was about 37% of the total premium income, including of course compulsory cessions to Caisse Centrale. Claims paid by reinsurers represent 48.25% and cost of reserves is 17.9%. Commissions received from reinsurers were not stated, but the above figures result in a balance of 33.85% on premiums ceded, so that apparently there also was an over-all credit balance for 1954.

All companies stress adverse results on motor car business.

My purpose is to convey a rough picture of the over-all result of reinsurance business available in this part of the world and I hope that it is possible to conclude therefrom that anyone possessed of reciprocity, flair, skill and experience can, possibly, write profitable reinsurance business. The present picture is not different from what it was four or five years ago though with a tendency of results to deteriorate in fire and improve in casualty.

Some readers not familiar with European business may wonder whether there are reciprocal relations between U.S. and European offices. Of course a fairly large number of European companies operate in the U.S. as admitted reinsurers, some in their own name, others through subsidiaries. American business is practically monopolized by the London market with a small fraction, maybe of the least desirable class, placed on the Continent. Reciprocal reinsurance relations, either through brokers or direct negotiations, are of little importance as far as volume is concerned. One reason is the impossibility of negotiating American home business with non-admitted reinsurers. The other is the storm damage guarantee. Much has been written about the latter. I myself have always been of the opinion and still think so, that it is very much to be regretted that the guarantee should be granted, even against a premium, for risks over which there is no control and to which only a small fraction of the insurable interest may be exposed. I have resisted as long as I could recommending the issuance of storm damage guarantee. But largely because fire business since the end of the war has shown very profitable results, it is felt in many quarters that rather than reduce rates, enhanced guarantees will be granted, one being storm damage. In Belgium where the matter has been extensively threshed out it is felt that the cost of storm damage guarantee will lie, over a number of years, between 2.5% and 5% of the total premium income on fire risks.

The queer thing about all this is that hardly any insured asked for it until it was pushed on them, for the sake of upholding premium rates, and now that this cover is granted freely, rates are nevertheless downgraded.

Coming back to U. S. fire business, I think that I am not mistaken when I assume that in the immediate past, from a reinsurer's point of view, the volume of premium was not very much influenced by the premium derived from the seven point extended coverage, while happenings in recent years have shown that it is not a sound technique, as seen from over here, to make fire insurance premiums available to meet the cost of other guarantees.

One result, of course, of those heavy losses is that in Great Britain a special law has been enacted authorizing underwriters to build up special contingent reserves out of untaxed surplus balances. Does it mean that Lloyds and the London market will not be very exacting in the future? In some countries companies will be granted the same facilities and this may ultimately have far reaching effect on reinsurance. In Spain and in Switzerland special arrangements have been entered into to make good losses resulting from natural catastrophes. In French Morocco a special fund is being built up to meet claims for willful damage to property arising out of the present unsettled political circumstances; a similar arrangement was in force in France during the war to indemnify victims of material willful damage.

In the United States conversations are in progress to guarantee flood damages and one wonders whether it would not be a good policy to solve storm damage in a similar manner. Normally, of course, everyone should cooperate, if not voluntarily, by compulsion, and the fact of guaranteeing those risks against a special premium is conducive to anti-selection; only those exposed to the risks involved are prepared to pay for the guarantee they think they require.

As matters now stand American companies should experience great difficulties in doing a large volume of sound reinsurance business with European non-admitted companies. Nevertheless a small volume of business appears to have materialized in recent years from the exchange of foreign fire against either fire or casualty business. Further possibilities certainly exist. One company is also viewing the underwriting of excess loss and stop loss business, and an experienced underwriter, on condition he does not enter into direct competition with Lloyds and London might very well succeed in writing a large and profitable account.

But no one should forget that experience has to be bought.

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